RICHTER GEDEON

Alapítva 1901-ben

PROPOSAL OF THE 2016 ANNUAL GENERAL MEETING

Richter Gedeon Vegyészeti Gyár Nyilvánosan Működő Rt.

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Fővárosi Törvényszék Cégbírósága Cg. 01-10-040944 • EU közösségi adószám: HU 10484878 • K&H Bank 10200971-20103088-00000000

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

Agenda of the Annual General Meeting ("AGM") on Tuesday, April 26, 2016 at 3:00 p.m.

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

1. Report on the 2015 business activities of the Richter Group and presentation of the draft Consolidated Report prepared in accordance with the IFRS
2. Report of the statutory Auditor on the draft Consolidated Report
3. Report of the Supervisory Board including the report of the Audit Board on the draft Consolidated Report
4. Approval of the draft 2015 Consolidated Report
5. Report of the Board of Directors on the 2015 business activities of the Company (on the management, the Company's financial situation and business policy) and presentation of the draft annual report prepared in accordance with the Accounting Act
6. Report of the statutory Auditor
7. Report of the Supervisory Board including the report of the Audit Board
8. Resolution on the determination and allocation of the 2015 after-tax profit declaration of dividends for the 2015 business year on the common shares
9. Approval of the 2015 draft Annual Report of the Company prepared in accordance with the Accounting Act, including the 2015 Balance Sheet
10. Corporate Governance Report
11. Amendments to the Company's Statutes (changes in connection with transition to IFRS, change in maximum term of the statutory auditor's mandate, authorization of Board of Directors to increase the Company's registered capital)
12. Report of the Board of Directors on the treasury shares acquired by the Company based upon the authorization in AGM resolution No.12/2015.04.26.
13. Authorization to the Board of Directors for the purchase of own shares of the Company
14. Election of members of the Board of Directors
15. Resolution on the remuneration of the members of the Board of Directors
16. Resolution on the remuneration of the members of the Supervisory Board
17. Election of the Company's statutory auditor
18. Resolution on the remuneration of the Company's statutory auditor
19. Miscellaneous

1.

Report on the 2015 business activities of the Richter Group and presentation of the draft Consolidated Report prepared in accordance with the IFRS

GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

Erik Bogsch
Managing Director

23 March, 2016

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December

	Notes	2015 HUFm	2014 HUFm
Total revenues	5	**365,220**	**353,709**
Cost of sales		(143,761)	(139,650)
Gross profit		**221,459**	**214,059**
Sales and marketing expenses		(98,310)	(101,724)
Administration and general expenses		(19,397)	(19,651)
Research and development expenses		(34,822)	(43,666)
Other income and other expenses (net)	5	(1,398)	(11,271)
Profit from operations	5	**67,532**	**37,747**
Finance income	7	24,230	23,204
Finance costs	7	(32,537)	(35,984)
Net financial loss	7	**(8,307)**	**(12,780)**
Share of profit of associates and joint ventures	14	1,502	828
Profit before income tax		**60,727**	**25,795**
Income tax	8	(6,182)	(761)
Profit for the year		**54,545**	**25,034**
Profit attributable to			
Owners of the parent		54,277	24,950
Non-controlling interest		268	84
Earnings per share (HUF)	9		
Basic		292	135
Diluted		292	135

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

23 March, 2016

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Managing Director

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2015 HUFm	2014 HUFm
Profit for the year		**54,545**	**25,034**
Items that will not be reclassified to profit or loss			
Actuarial loss on retirement defined benefit plans	28	(22)	(33)
		(22)	**(33)**
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		7,179	3,675
Exchange differences arising on translation of associates and joint ventures	14	51	(214)
Revaluation for available for sale investments	24	1,447	(3,039)
		8,677	**422**
Other comprehensive income for the year		**8,655**	**389**
Total comprehensive income for the year		**63,200**	**25,423**
Attributable to:			
Owners of the parent		62,818	25,103
Non-controlling interest		382	320

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

23 March, 2016

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Managing Director

Consolidated Balance Sheet

at 31 December	Notes	2015 HUFm	2014 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	12	175,355	169,558
Goodwill	18	64,888	61,086
Other intangible assets	12	150,827	152,580
Investments in associates and joint ventures	14	7,140	5,408
Other financial assets	15	26,414	24,184
Deferred tax assets	16	7,487	8,606
Loans receivable	17	3,683	3,921
		435,794	**425,343**
Current assets			
Inventories	19	70,051	66,452
Trade receivables	20	92,539	95,255
Other current assets	21	13,927	13,591
Investments in securities	22	3,970	20,873
Current tax asset	16	539	603
Cash and cash equivalents	23	132,374	97,940
		313,400	**294,714**
Total assets		**749,194**	**720,057**

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

23 March, 2016

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Managing Director

Consolidated Balance Sheet
at 31 December - continued

	Notes	2015 HUFm	2014 HUFm
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the parent			
Share capital	24	18,638	18,638
Treasury shares	25	(3,206)	(4,881)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	24	16,478	9,700
Revaluation reserve for available for sale investments	24	3,323	1,876
Retained earnings		563,022	514,536
		616,944	**558,558**
Non-controlling interest	13.1	3,645	3,172
		620,589	**561,730**
Non-current liabilities			
Borrowings	29	37,188	44,155
Deferred tax liability	16	8,939	8,876
Other non-current liabilities and accruals	30	7,817	10,056
Provisions	28	2,928	2,770
		56,872	**65,857**
Current liabilities			
Borrowings	29	6,523	14,525
Trade payables	26	38,209	36,335
Current tax liabilities	16	425	281
Other payables and accruals	27	24,669	40,222
Provisions	28	1,907	1,107
		71,733	**92,470**
Total equity and liabilities		**749,194**	**720,057**

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

23 March, 2016

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Managing Director

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

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

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

all amounts in HUFm

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for available for sale investments	Foreign currency translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2015		**18,638**	**15,214**	**3,475**	**(4,881)**	**1,876**	**9,700**	**514,536**	**558,558**	**3,172**	**561,730**
Profit for the year		-	-	-	-	-	-	54,277	**54,277**	268	**54,545**
Exchange differences arising on translation of foreign operations		-	-	-	-	-	6,727	338	**7,065**	114	**7,179**
Exchange differences arising on translation of associates and joint ventures	14	-	-	-	-	-	51	-	**51**	-	**51**
Actuarial loss on defined benefit plans	28	-	-	-	-	-	-	(22)	**(22)**	-	**(22)**
Revaluation for available for sale investments		-	-	-	-	1,447	-	-	**1,447**	-	**1,447**
Comprehensive income for year end 31 December 2015		-	-	-	-	**1,447**	**6,778**	**54,593**	**62,818**	**382**	**63,200**
Net treasury shares transferred and purchased	25	-	-	-	1,675	-	-	-	**1,675**	-	**1,675**
Ordinary share dividend for 2014	31	-	-	-	-	-	-	(6, 150)	**(6,150)**	-	**(6,150)**
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(90)	**(90)**
Additional paid in capital to subsidiaries		-	-	-	-	-	-	-	-	181	**181**
Recognition of share-based payments	24	-	-	-	-	-	-	43	**43**	-	**43**
Balance at 31 December 2015		**18,638**	**15,214**	**3,475**	**(3,206)**	**3,323**	**16,478**	**563,022**	**616,944**	**3,645**	**620,589**

The notes on pages 10 to 81 form an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement
for the year ended 31 December

	Notes	2015 HUFm	2014 HUFm
Operating activities			
Profit attributable to owners of the parent		54,277	24,950
Depreciation and amortisation	5	31,227	29,363
Non cash items accounted through Total Comprehensive Income	14, 30	(1,582)	(271)
Year end foreign exchange translation difference of borrowings	7	(243)	3,296
Net interest and dividend income	7	(1,482)	(2,174)
Income tax recognised through Consolidated Income Statement		6,182	761
Changes in provision for defined benefit plans	28	158	927
Loss on disposal of property, plant and equipment and intangible assets**		(830)	2,222
Impairment loss recognised on intangible assets		3,484	851
Expense recognised in respect of equity-settled share based payments	24	4,260	5,239
Movements in working capital			
Decrease in trade and other receivables		2,773	5,742
(Increase)/decrease in inventories		(3,599)	2,592
Increase/(decrease) in payables and other liabilities		7,231	(5,260)
Interest expense		(1,160)	(1,373)
Income tax paid	16	(5,649)	(4,664)
Net cash flow from operating activities		**95,047**	**62,201**
Cash flow from investing activities			
Payments for property, plant and equipment*		(27,708)	(28,406)
Payments for intangible assets*		(5,594)	(14,828)
Proceeds from disposal of property, plant and equipment		1,332	444
Payments to acquire financial assets		(2,043)	(163)
Proceeds on sale or redemption on maturity of financial assets		18,429	937
(Disbursement)/repayments of loans net		(836)	93
Interest income	7	2,641	3,222
Dividend income	7	1	325
Net cash outflow on acquisition of subsidiaries	27,36,30	(25,322)	(7,214)
Net cash flow to investing activities		**(39,100)**	**(45,590)**
Cash flow from financing activities			
Purchase of treasury shares	25	(2,542)	(9,799)
Dividend paid	31	(6,155)	(10,603)
Repayment of borrowings	29	(14,628)	(5,593)
Proceeds from borrowings		2	891
Net cash flow to financing activities		**(23,323)**	**(25,104)**
Net increase/(decrease) in cash and cash equivalents		**32,624**	**(8,493)**
Cash and cash equivalents at beginning of year		**97,940**	**106,577**
Effect of foreign exchange rate changes on the balances held in foreign currencies		1,810	(144)
Cash and cash equivalents at end of year		**132,374**	**97,940**

* The Payments for property plant and equipment and the Payments for intangible assets can not be directly reconciled to the Note 12 Transfers and capital expenditure row, because the later one contains non-material, non-cash addition of the assets, including transfers.
** In 2014 "Loss on disposal of property, plant and equipment and intangible assets" contains scrapping of licenses.

The notes on pages 10 to 81 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, subsidiaries and the equity consolidated investments), 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 the revaluation of certain financial instruments which are valued at fair value. The amounts in the Consolidated Financial Statements are stated in millions of Hungarian Forints (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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 3.

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

III) Adoption of new and revised Standards

A) The following amended standards became effective for the Group from 1 January 2015, but did not have any material impact on the Group.

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 January 2015).
- IFRIC 21 – Levies (issued in May 2013 and effective in the EU for annual periods beginning on or after 17 June 2014)

B) Certain new standards and interpretations have been issued that are not yet effective, and which the Group has not early adopted.

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018, the EU has not yet endorsed the new standard). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group has started the assessment of the impact of IFRS 9. The Group is focusing in the initial phase of the assessment on the effect of the new impairment model. The EU has not yet endorsed the new standard.

- IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018, the EU has not yet endorsed the new standard). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group has started the assessment of the impact of IFRS 15. The Group is focusing in the initial phase of the assessment on the effect of the new standard on licensing arrangements and transactions containing variable considerations.

- IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019, the EU has not yet endorsed the new standard). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is presenting operating lease commitments according to IAS 17 in Note 35. Taking into consideration the amount of these commitments, the effect of the application of IFRS 16 will be moderate on the financial statements.

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

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective in the EU for annual periods beginning on or after 1 February 2015).

- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective in the EU for annual periods beginning on or after 1 February 2015).

- IFRS 14, Regulatory deferral accounts (issued in January 2014, the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard).

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued in May 2014 and effective for the periods beginning on or after 1 January 2016).

- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued in May 2014 and effective for the periods begiming on or after 1 January 2016).

- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued in June 2014 and effective for annual periods beginning 1 January 2016).

- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued in August 2014 and effective for annual periods beginning 1 January 2016).

- Annual Improvements to IFRSs 2014 (issued in September 2014 and effective for annual periods beginning on or after 1 January 2016).

- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014, the EU has not yet endorsed the amendment).

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017, the EU has not yet endorsed the amendment).

- Disclosure Initiative Amendments to IAS 7 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017, the EU has not yet endorsed the amendment).

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

2. Summary of significant accounting policies

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

I) Basis of Consolidation

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

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

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

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

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

II) Investments in joint ventures and associated companies

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

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

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

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 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. Dilution gains and losses arising in investments in associates and joint ventures are recognised in the income statement.

III) Transactions and balances in foreign currencies

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

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of the Hungarian National Bank rates prevailing on the balance sheet date except for equity, which is translated at historic value. Income and expense items are translated at the average exchange rates weighted with monthly turnover. Exchange differences arising, if any, are recognised in other comprehensive income.
Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation.
Conversion into Hungarian Forints of Group's foreign operations that have a functional currency not listed by the National Bank of Hungary is made at the cross rate calculated from Bloomberg's published rate of the given currency to the USD and NBH's rate of the HUF to the USD. The method of translation is the same as mentioned above.

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

IV) Revenue recognition

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

A) Sales of goods

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

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

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

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

B) Sales of services

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

C) Profit sharing

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

D) Royalties

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

E) Interest income

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

F) Dividend income

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

V) Property, plant and equipment

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

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

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

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

The depreciation amount for a period of a 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.

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 later 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 to sell or its value in use, which is determined by Discounted Cash Flow method.

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

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

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

VII) Intangible assets

Purchase of trademarks, 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	4%

Individually significant intangible assets are presented in Note 12. 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 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/USA region as described in Note 12) 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 assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

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

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

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

D) Financial assets constituting loans receivables are carried at amortized cost and are presented separately in XIV) Loans receivable, XVIII) Cash and cash equivalents while Trade receivables are described in XV) Trade receivables. In case the risks and characteristics of embedded derivative instruments are not closely related to those of the host contract, these are treated as separate derivative instruments and valued accordingly.

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

For assets classified as available for sale the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria described above.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. This impairment is accounted in the Consolidated Income Statement as Financial costs. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Consolidated Income Statement.

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

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

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

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

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

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

XIV) Loans receivable
Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

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

XVII) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in the Consolidated Income Statement. The derivative transactions of the Group do not qualify to be hedging transactions therefore no hedge accounting is applied.

XVIII) Cash and cash equivalents

In the Consolidated 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, net of bank overdrafts. In the Consolidated Balance Sheet bank overdrafts are shown within borrowings in current liabilities.

XIX) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 XXIV) Borrowing costs.

XX) Inventories

Inventories are stated at the lower of cost and net realisable value. Goods purchased shall be measured by using the FIFO (first in first out) method. Goods produced shall be measured at actual (post calculated) production cost.

Net costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

XXI) Provisions

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

Provision for Environmental Expenditures

The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the Group has constructive or legal obligation to perform these remedial works and when expenditure on such remedial work is probable and its costs can be estimated within a reasonable range. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The Group does not have legal or constructive obligation in relation to environmental expenditures as of 31 December 2015 and as of 31 December 2014.

Provision for Retirement Benefits

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

XXII) Income taxes

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

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

Deferred 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 3.2).

XXIII) Segment information

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

XXIV) Borrowing costs

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

XXV) Leasing

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

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

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

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

XXVI) Employee benefits

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

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

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

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

XXVII) Share based payment
The Group is granting treasury shares to certain employees in its employee share bonus programs. Details of these bonus programs are set out in Note 25. These bonus programs are accounted for as equity-settled share-based payments.
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis (adjusted with the change in estimate) over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

XXIX) Share Capital
Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.
Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

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

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

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

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

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

3.1 Key sources of estimation uncertainty

Impairment 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 18.

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

The appropriateness of the estimated useful lives is reviewed annually. If the estimated useful lives would decrease by 10% in comparison to management's estimates, depreciation for the year ended 31 December 2015 would be greater by HUF 3,470 million (2014: increase by HUF 3,263 million).

The Group recorded depreciation and amortisation expense in the amount of HUF 31,227 million and HUF 29,363 million for the years ended 31 December 2015 aud 2014, respectively.

Tax loss carried forward in Switzerland
The Swiss subsidiary of the Group, PregLem has CHF 103 million (HUF 29,870 million) tax loss carried forward as of 31 December 2015 and CHF 110 million (HUF 28,896 million) as of 31 December 2014. PregLem also has tax holiday on cantonal level that will expire in 2016. The Company has prepared a detailed schedule on the utilization of the tax loss carried forward and provided for deferred tax on cantonal level only on the deductible temporary differences that are expected to be recovered after the expiry of the above mentioned tax holiday. The net deferred tax liability related to PregLem as of 31 December 2015 is HUF 7,894 million while as of 31 December 2014 HUF 7,661 million (see Note 16).

Uncertain tax position in Romania
From 1 October 2009 the Government approved a debated claw-back regime (aiined 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 the acquisitions presented below, in accordance with its Accounting Policy, the Group reports the contingent- deferred purchase price liabilities to former owners at fair value (determined by probability weighted discounted technique) which are reviewed in each period. Subject to the occurrence of future events payments may be higher than the liabilities on the books.

GRMed contingent-deferred purchase price payments

In 2013 Richter Gedeon Plc. announced that it signed a series of agreements with the owners of its marketing partner, Rxmidas Pharmaceuticals Co. Ltd. ('Rxmidas'), targeting a reshaped and stronger direct presence on the Chinese pharmaceutical market. Richter acquired the company and the agreement terms included an upfront payment together with milestone payments in the forthcoming years.

Contingent-deferred purchased price is accounted for at discounted fair value. The gross amount of the expected payment (undiscounted) is approximately CNY 275 million (HUF 12,139 million) as of 31 December 2015 and CNY 368 million (HUF 15,364 million) as of 31 December 2014. Since the contingent-deferred purchase price is determined as a certain proportion of future profit of predetermined products therefore maximum exposure cannot be quantified. If the expected performance of the predetermined products would be higher by 10% the contingent-deferred purchase price will increase by HUF 2,855 million and if it would be lower by 10% the contingent deferred purchase price will decrease by HUF 2,844 million.

GR Mexico contingent-deferred purchase price payments

In December 2013 as part of its expansion in Central and South America the Company has signed an agreement with the owner of DNA Pharmaceuticals, S.A. de C.V. („DNA"), to establish its direct presence on the pharmaceutical market in Mexico. Under the terms of the agreement Richter acquired 100% stake and 70% voting rights and assumed an obligation for payment of the remained and unpaid 30% portion in three years. The Group did not recognise non-controlling interest on the acquisition as explained in Note 36.

Subsequent to the signature of the agreement the company is renamed into Gedeon Richter Mexico, S.A.P.I. de C.V (hereinafter "GR Mexico"). The targeted activities are sales, promotion and registration of female healthcare products. This partnership agreement between GR Mexico and Richter creates a perfect synergy for launching ESMYA® on the Mexican market.

Contingent-deferred purchased price has been presented as "Other current and non-current liability" and the gross amount of the expected payment (undiscounted) is USD 3.0 million (HUF 860 million) as of 31 December 2015, while USD 4.5 million (HUF 1,166 million) as of 31 December 2014.

Mediplus Group contingent-deferred purchase price payments

In May 2014 Gedeon Richter Plc. has signed an agreement with Andelam B.V. a Netherland based private limited liability company ("Andelam") to buy 100% stake and 51% voting rights in Mediplus N.V. a marketing company based in Curaçao ("Mediplus"). According to the agreement Richter is going to fulfil the liability originated from the contingent and deferred purchase price in connection with the unpaid 49% in the following years. Further payments are connected to certain performance related targets to be reached by previous owner latest in Q1 2017. In the view of Richter's management the preconditions for the milestone payment will not be met, therefore the fair value of the liability in respect of this transaction is zero. Based on the agreement concluded with the original shareholder in 2015, Richter's voting right increased to 100%.

The maximum amount of exposure relating to the acquisition of the Mediplus Group is USD 5,880 thousand (HUF 1,685 million) as of 31 December 2015, while USD 5,880 thousand (HUF 1,524 million) as of 31 December 2014.

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

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

3.2 Critical judgements in applying entities accounting policies

Investment tax credit

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

4. Segment Information

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

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

In the Pharmaceuticals segment of the Group 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 female 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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
3rd party revenues	300,551	297,350	63,688	55,407	981	952	-	-	365,220	353,709
Inter segment revenues	8,359	7,799	3	3	3,621	3,592	(11,983)	(11,394)	-	-
Total revenues	**308,910**	**305,149**	**63,691**	**55,410**	**4,602**	**4,544**	**(11,983)**	**(11,394)**	**365,220**	**353,709**
Profit from operations	66,998	39,503	893	(1,718)	(98)	111	(261)	(149)	67,532	37,747
Total assets	831,075	805,648	42,676	38,597	6,330	3,863	(130,887)	(128,051)	749,194	720,057
Impairment of Intangible assets*	(3,852)	(701)	784	(150)	-	-	-	-	(3,068)	(851)
Liabilities	112,752	143,321	40,689	37,880	1,344	5,582	(26,180)	(28,456)	128,605	158,327
Capital expenditure**	32,426	42,406	621	450	255	378	-	-	33,302	43,234
Depreciation and amortization*	30,406	28,562	583	594	238	207	-	-	31,227	29,363
Share of profit of associates and joint ventures	228	(359)	1,308	1,240	4	(13)	(38)	(40)	1,502	828
Investments in associates and joint ventures	997	477	4,740	3,643	1,403	1,288	-	-	7,140	5,408

* See Note 12.
** 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
4. USA
5. China
6. Latin America
7. Other countries

2015	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Total revenues	34,976	122,058	149,596	18,103	16,849	9,057	14,581	365,220
Total assets	581,306	42,216	85,937	3,130	1,347	6,316	28,942	749,194
Capital expenditure	28,505	1,400	2,872	-	-	181	344	33,302

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

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

Analyses of revenue by category	2015 HUFm	2014 HUFm
Sales of goods	356,118	345,398
Revenue from services	8,494	7,825
Royalty income	608	486
Total revenues	**365,220**	**353,709**

Revenues of approximately HUF 20,003 million (2014: HUF 28,352 million) are derived from a single external customer. These revenues are attributable to the Pharmaceuticals segment and located in the CIS region.
There is no customer exceeding 10% of net sales, therefore the Group assesses the risk of customer concentration as not significant.

5. Profit from operations – expenses by nature

	2015 HUFm	2014 HUFm
Total revenues	365,220	353,709
From this: royalty and other similar income	*608*	*486*
Changes in inventories of finished goods and work in progress, cost of goods sold	(79,238)	(72,449)
Material type expenses	(91,150)	(106,025)
Personnel expenses	(94,675)	(96,854)
Depreciation and amortisation (Note 12)	(31,227)	(29,363)
Other income and other expenses (net)	(1,398)	(11,271)
Profit from operations	**67,532**	**37,747**

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

Claw-back expenses are partial repayment of the received Sales revenue of the reimbursed products to the State where the product is to be 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, Latvia, Italy and Bulgaria amounting to HUF 4,747 million in 2015 (in 2014 in Romania, Germany, France, Spain, Belgium and Latvia HUF 4,609 million). Out of these is the claw-back tax levied on the Richter Group by the Romanian authorities in the amount of RON 14.1 million (HUF 983 million) on the basis of the turnover recorded by such authorities in respect of full year 2015, in 2014 it was RON 17.5 million (HUF 1,220 million).

The 20 % tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 192 million in 2015 and HUF 168 million in 2014.

Other income and expenses net includes impairment of Rights (see Note 12) and the effect of probabilities and change of gross payment on the contingent-deferred purchase price (see Note 11).

Other income include milestone incomes (from Allergan in conjunction with securing marketing authorization for VRAYLAR™ in the United States, and from Stada in connection with the development of biosimilar products), as well as the exchange rate compensation related to Chinese sales accounted for retrospectively.

6. Employee information

	2015	2014
Average number of people employed during the year	11,465	11,759

The newly acquired companies resulted in an increase of 317 in the average number of employees during 2014. There were no acquisitions in 2015.

7. Net financial loss

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 Company is analysing these translation differences on net basis, balances are presented on net basis as follows:

	2015 HUFm	2014 HUFm
Unrealised financial items	**(6,568)**	**(14,749)**
Exchange loss on trade receivables and trade payables	(5,984)	(10,865)
Gain on foreign currency loans receivable	1,360	2,529
Year end foreign exchange translation difference of borrowings	243	(3,296)
Exchange loss on other currency related items	(1,625)	(1,546)
Unwinding of discounted value related to contingent-deferred purchase price liabilities (Note 11)	(573)	(1,853)
Result of unrealised forward exchange contracts	11	282
Realised financial items	**(1,739)**	**1,969**
Gain /(loss) on forward exchange contracts	621	(225)
Exchange loss realised on trade receivables and trade payables	(2,867)	(2,029)
Foreign exchange difference on conversion of cash	(1,062)	2,199
Dividend income	1	325
Interest income	2,641	3,222
Interest expense	(1,160)	(1,373)
Other financial items	87	(150)
Total	**(8,307)**	**(12,780)**

Unrealised financial expense was heavily affected by the 3.88 RUB/HUF, 313.12 EUR/HUF and 289.38 CHF/HUF exchange rates in effect on 31 December 2015 (4.45 RUB/HUF on 31 December 2014, 314.89 EUR/HUF and 261.85 CHF/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These were only partly offset by the appreciation of the USD (286.63 USD/HUF in 2015 and 259.13 USD/HUF on 31 December 2014). These translation differences together resulted in a decrease of HUF 6.0 billion in the net financial income for 2015.

Derivative transactions are only made by the Parent Company. At the end of the financial period Richter had open forward exchange contracts (fair value of this derivative is positive in the amount of HUF 4 million) and an option arising from a convertible loan provided in 2015 (fair value if this option is HUF 148 million), more detailed in Note 15.

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

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

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

The interest expense of the borrowings that are presented in Note 29 is HUF 1,160 million (in 2014 HUF 1,373 million).

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.

	2015 HUFm	2014 HUFm
Domestic corporate income tax	(851)	(16)
Foreign corporate income tax	(1,191)	(1,159)
Local business tax	(3,351)	(3,051)
Innovation contribution	(499)	(458)
Current tax	**(5,892)**	**(4,684)**
Deferred tax (Note 16)	(290)	3,923
Income tax	**(6,182)**	**(761)**

The average effective tax rate calculated on the basis of the current tax is 9.7% and 10.2% taking into account the effect of deferred tax as well, in 2014 these rates were 18.2% and 3.0% respectively.

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

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

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

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

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

Relating to uncertain tax position please see Note 37.

Tax rate reconciliation

	2015 HUFm	2014 HUFm
Profit before income tax	**60,717**	**25,795**
Tax calculated at domestic tax rates applicable to profits in the respective countries*	14,337	7,941
Tax effects of:		
Benefit of utilising investment tax credit at Parent	(2,978)	-
Associates results reported net of tax	(279)	(157)
Income not subject to tax	(349)	(479)
Expense not deductible for tax purposes	1,049	1,287
Expense eligible to double deduction**	(5,204)	(6,702)
The effect of changes in tax loss for which no deferred income tax has been recognised***	(205)	1,439
Impact of unrecognized tax on investment in foreign subsidiaries****	(189)	(2,568)
Tax charge	**6,182**	**761**

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

Investment tax credit

In 2007 the Parent Company notified the Ministry of Finance of its intent to take advantage of the tax relief in connection with the capital expenditure project to construct a new plant in Debrecen to develop and manufacture biotechnology products.
The project was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company has taken advantage of the investment tax relief for the first time in the 2012 fiscal year.

The criteria for eligibility for the tax relief according to Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax are:

- the value of investment is to be at least HUF 1 billion at current value,
- installed assets shall be kept for 5 years in the beneficiary region and
- during this period, the number of staff employed shall exceed that of the tax year preceding the investment project by at least 75 people.

The Company can take advantage of the tax relief in the tax year following the year when the project was completed and in the following nine years (at the latest during the fourteenth tax year following the tax year in which the notification or the application was submitted). Therefore Richter can take advantage of the tax relief in connection with the Debrecen capex project up to 2021 at the latest.
The Company used the tax credit described above in the 2012, 2013 and 2015 business years. The remaining tax relief open for subsequent years amounts to HUF 1,783 million at current value (in 2014 HUF 4,644 million). The Company did not have liability to pay corporate tax for the 2014 business year, so it did not utilize the investment tax relief.

Accounting treatment of the tax credit

The Group assesses that the amount of investment is the only substantial criteria in relation to the tax credit because clearly more human resource is required to operate the assets purchased. The increase of the average number of employees exceeds the criteria defined in the tax credit by 372 employees. Therefore the Group assessed this tax credit to be an investment tax credit and applied the initial recognition exception stated in IAS 12.24 and did not recognise any deferred tax in connection with these assets.

9. Consolidated earnings per share

Basic earnings per share is calculated by reference to the net profit attributable to shareholders and the weighted average number of ordinary shares outstanding during the year. These exclude the average number of ordinary shares purchased by the Company and held as Treasury shares.
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 2014 and 2015 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)

	2015	2014
Net consolidated profit attributable to owners of the parent (HUFm)	54,277	24,950
Weighted average number of ordinary shares outstanding (thousands)	185,563	185,009
Earnings per share (HUF)	**292**	**135**

10. Financial instruments

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

	Notes	Carrying value		Fair value	
		31 December 2015 HUFm	31 December 2014 HUFm	31 December 2015 HUFm	31 December 2014 HUFm
Financial assets*					
Available for sale investments carried at fair value					
Investments in securities**	22	2,446	2,424	2,446	2,424
Held to maturity investments carried at amortised cost					
Investments in securities	22	1,524	18,449	1,524	18,449
Loans and receivables carried at amortised cost					
Loans receivable	21	2,893	1,549	2,893	1,549
Trade receivables	20	92,539	95,255	92,539	95,255
Other current assets	21	2,336	3,095	2,336	3,095
Cash and cash equivalents	23	132,374	97,940	132,374	97,940
Financial assets carried at fair value through profit or loss					
Foreign exchange forward contracts****	21	4	107	4	107
Current		**234,116**	**218,819**	**234,116**	**218,819**
Available for sale investments carried at fair value					
Investments***	15	8,169	6,222	8,169	6,222
Held to maturity investments carried at amortised cost					
Investments	15	1,815	1,588	1,815	1,588
Loans and receivables carried at amortised cost					
Loans and receivable investments	15	16,282	16,374	16,282	16,374
Loans receivable	17	3,683	3,921	3,683	3,921
Financial assets carried at fair value through profit or loss					
Convertible loan option*****	15	148	-	148	-
Non-current		**30,097**	**28,105**	**30,097**	**28,105**

	Notes	Carrying value		Fair value	
		31 December 2015 HUFm	31 December 2014 HUFm	31 December 2015 HUFm	31 December 2014 HUFm
Financial liabilities					
Liabilities carried at amortised cost					
Borrowings	29	6,523	14,525	6,523	14,525
Trade payables	26	38,209	36,335	38,209	36,335
Other payables and accrual	27	11,582	11,127	11,582	11,127
Financial liabilities carried at fair value through profit or loss					
Foreign exchange forward contracts****	11,27	-	113	-	113
Other payables*****	11,27	6,370	21,508	6,370	21,508
Current		**62,684**	**83,608**	**62,684**	**83,608**
Liabilities carried at amortised cost					
Borrowings	29	37,188	44,155	37,188	44,155
Other non-current liabilities	30	974	37	974	37
Financial liabilities carried at fair value through profit or loss					
Other non-current liabilities******	11,30 27.1	5,694	8,702	5,694	8,702
Non-current		**43,856**	**52,894**	**43,856**	**52,894**

* All financial assets are free from liens and charges.
** The fair valuation of securities was based on bank data supply.
Level 1: in 2015: HUF 1,524 million (in 2014: none)
Level 2: in 2015 HUF 2,446 million (in 2014 HUF 2,424 million)
*** Level 1: in 2015 HUF 8,169 million (in 2014 HUF 6,222 million)
**** Level 2: the entire balance in 2015 HUF 4 million (in 2014 HUF 6 million)
***** Level 3 (constituting contingent-deferred purchase price): in 2015 HUF 6,370 million (in 2014: 21,508 million)
****** Level 3 (constituting contingent-deferred purchase price): in 2015 HUF 5,694 million (in 2014 HUF 8,702 million)
******* Level 3: in 2015 HUF 148 million (in 2014: none)

Above mentioned different levels have been defined as follows:

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

Financial risk management

During the year 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.

I.) Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 29 offset by cash and bank balances in Note 23) and equity of the Group (comprising 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 Parent Company has been pursuing constant dividend policy, provided dividend from the profit to the owners every year. In accordance with the dividend policy followed by the Company, the Board of Directors recommends the payment of approximately 25 percent of Gedeon Richter Plc.'s net consolidated profit calculated according to IFRS. Dividends are approved by the shareholders of Gedeon Richter Plc.'s at the Annual General Meeting.

The capital risk of the Group was still limited in 2015 and 2014, 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 2015 HUFm	**31 December 2014** HUFm
Borrowings (Note 29)	43,711	58,680
Less: cash and cash equivalents (Note 23)	(132,374)	(97,940)
Net debt	**(88,663)**	**(39,260)**
Total equity	620,589	561,730
Total capital	**531,926**	**522,470**
EBITDA*	98,760	67,435
Net debt to EBITDA ratio	**(0.90)**	**(0.58)**
Net debt to equity ratio	**(0.14)**	**(0.07)**

* EBITDA has been determined in line with the credit agreement as operating profit increased by dividend income and depreciation and amortization expense.

	2015 HUFm	**2014** HUFm
Profit from operations	67,532	37,747
Depreciation	31,227	29,363
Dividend income	1	325
EBITDA	**98,760**	**67,435**

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

II.) Foreign currency risk

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

Foreign exchange sensitivity of actual costs

The Group does business in a number of regions, and countries with different currencies. The most typical foreign currencies are the EUR, USD, PLN, RON, RUB, CHF and the KZT. The calculation of exposure to foreign currencies is based ou these seven 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. 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 (RUB, KZT) therefore according to the decision of the Management these currencies have been diverted in a reasonable level when determining the exchange rate combination.

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

2015				**Exchange rates**					**Effect on operating profit**	**Effect on profit for the year**	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	HUFm	HUFm	
103.23%	**319.7**										
		288.2	**1.11**	**76.5**	**72.1**	**5.6**	298.7	**2.1**	**15,233**	**12,783**	**largest growth**
		279.2	1.15	74.1	69.9	4.7	289.3	1.4	888	839	
		270.1	1.18	71.7	67.6	3.7	280.0	0.7	(14,513)	(12,020)	
100.00%	309.7										
		288.2	1.07	76.5	72.1	5.6	298.7	2.1	13,133	10,681	
		279.2	1.11	74.1	69.9	4.7	289.3	1.4	0	0	
		270.1	1.15	71.7	67.6	3.7	280.0	0.7	(15,400)	(12,859)	
96.77%	**299.7**										
		288.2	1.04	76.5	72.1	5.6	298.7	2.1	13,458	11,105	
		279.2	1.07	74.1	69.9	4.7	289.3	1.4	(888)	(839)	
		270.1	**1.11**	**71.7**	**67.6**	**3.7**	**280.0**	**0.7**	**(16,288)**	**(13,698)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

all amounts in HUFm

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

* Change of EUR/HUF average exchange rates.

Based on the yearly average currency rate sensitivity analysis of 2015 the combination of weak Hungarian Forint - 319.7 EUR/HUF against other currencies - would have caused the largest growth in the amount of HUF 15,233 million on the Group's consolidated operating profit and HUF 12,783 million on the Group's consolidated profit for the year. The greatest decrease HUF 16,288 million on operating and HUF 13,698 million on profit for the year would have been caused by the combination of exchange rates of 299.7 EUR/HUF against other currencies.

Based on the yearly average currency rate sensitivity analysis of 2014 the combination of weak Hungarian Forint - 318.7 EUR/HUF against other currencies - would have caused the largest growth in the amount of HUF 11,350 million on the Group's consolidated operating profit and HUF 10,004 million on the Group's consolidated profit for the year. The greatest decrease HUF 23,110 million on operating and HUF 18,919 million on profit for the year would have been caused by the combination of exchange rates of 298.7 EUR/HUF against other currencies.

Currency sensitivity of balance sheet items

Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts in foreign currency, loans receivable, borrowings, AFS investments and contingent-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 combination presented below. Certain foreign currencies recently showed higher volatility (RUB, KZT) therefore according to the decision of the Management these currencies have been diverted in reasonable level when determining the exchange rate combination.

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

2015		Exchange rates							Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	HUFm	
103.23%	**323.20**									
		295.90	**1.09**	**75.80**	**71.50**	**4.70**	**298.70**	**1.20**	**9,703**	**best case scenario**
		286.63	1.13	73.46	69.22	3.88	289.38	0.84	732	
		277.40	1.17	71.10	67.00	3.00	280.00	0.40	(8,844)	
100.00%	313.12									
		295.90	1.06	75.80	71.50	4.70	298.70	1.20	8,970	
		286.63	1.09	73.46	69.22	3.88	289.38	0.84	0	
		277.40	1.13	71.10	67.00	3.00	280.00	0.40	(9,576)	
96.77%	**303.00**									
		295.90	1.02	75.80	71.50	4.70	298.70	1.20	8,235	
		286.63	1.06	73.46	69.22	3.88	289.38	0.84	(735)	
		277.40	**1.09**	**71.10**	**67.00**	**3.00**	**280.00**	**0.40**	**(10,312)**	**worst case scenario**

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

all amounts in HUFm

2014		Exchange rates						Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm	
103.24%	**325.10**								
		270.7	1.20	77.6	73.8	4.9	278.1	4,201	
		259.1	1.25	73.9	70.2	4.5	261.9	(812)	
		247.5	**1.31**	**70.1**	**66.7**	**4.0**	**245.6**	**(5,834)**	**worst case scenario**
100.00%	314.89								
		270.7	1.16	77.6	73.8	4.9	278.1	5,013	
		259.1	1.22	73.9	70.2	4.5	261.9	0	
		247.5	1.27	70.1	66.7	4.0	245.6	(5,022)	
96.76%	**304.70**								
		270.7	**1.13**	**77.6**	**73.8**	**4.9**	**278.1**	**5,824**	**best case scenario**
		259.1	1.18	73.9	70.2	4.5	261.9	810	
		247.5	1.23	70.1	66.7	4.0	245.6	(4,211)	

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

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF and KZT weaken against HUF. In this case the consolidated financial result would decrease by HUF 10,312 million.
The best case scenario is when EUR, USD, PLN, RON, RUB, CHF and KZT would strengthen against HUF. In this case the consolidated financial result would increase by HUF 9,703 million.

In 2014 the worst case scenario was when EUR strengthens and USD, PLN, RON, RUB, CHF weaken against HUF. In this case the consolidated financial result would have decreased by HUF 5,834 million.
The best case scenario was when EUR weakens and USD, PLN, RON, RUB, CHF would strengthen against HUF. In this case the consolidated financial result would have increased by HUF 5,824 million.

III.) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group regularly assesses its customers and establishes payment terms and credit limits associated to them. Richter also reviews the payment of the receivables regularly and monitors the overdue balances. The Group also regularly requires securities (e.g. credit insurance, bank guarantees) from its customers. 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. Provisions for doubtful receivables are estimated by the Group's management based on prior experience and current economic environment. The following securities are applied for minimize the credit risk.

Regions	Trade receivables secured as at 31 December 2015	Type of security		
		Credit insurance	Bank guarantee	L/C
	HUFm	HUFm	HUFm	HUFm
CIS	14,668	14,086	582	-
EU	183	-	183	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	366	129	115	122
Total	**15,217**	**14,215**	**880**	**122**

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

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

The credit rating of the five most significant banks as of 31 December 2015 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"):

	2015	2014
CIB Bank Zrt. (ultimate parent – Intesa Sanpaolo SpA)	BBB-	BBB-
UniCredit Bank Zrt. (ultimate parent – UniCredit S.p.A.)	BBB-	BBB-
MKB Bank Zrt. (ultimate parent – Hungary)	BB+	BB
OTP Bank Nyrt.	BB	BB
Raiffeisen Bank Zrt. (ultimate parent – Raiffeisen Int. AG)	BBB	A-

The Group holds more than 77% of its cash and cash equivalents as of 31 December 2015 (more than 68% as of 31 December 2014) in the above mentioned financial institutes. 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.

Credit rating of held to maturity investment and "Exchangeable bonds" is BB+ according to Standard and Poor's international credit rating institute (Note 15).

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.

	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		HUFm	HUFm	HUFm	HUFm	HUFm
At 31 December 2015						
Other financial assets		7	618	671	19,428	7,902
Loans receivable		83	2,596	2,018	1,938	322
Investments in securities		2,426	1,611	-	-	-
Cash and cash equivalents	23	132,374	-	-	-	-
Borrowings		1,526	5,880	8,560	25,342	5,270
Trade payables	26	37,328	833	13	35	-
Other non-current liabilities and accruals		-	-	6,640	28	-
Other liabilities and accruals		17,939	13	-	-	-
Net balance		**78,097**	**(1,901)**	**(12,524)**	**(4,039)**	**2,954**

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

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

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

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

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

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

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

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

	2015 HUF m	2014 HUF m
Bank guarantee relating to Government Grant	1,661	1,661
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	107	107
Other, individually not relevant bank guaranties	82	75

11. Fair Value of Financial Instruments

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

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

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

a) Recurring fair value measurements

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

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

HUFm	Notes	2015				2014			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Other financial assets	15	8,169	-	-	**8,169**	6,222	-	-	**6,222**
Investments in securities	22	-	2,446	-	**2,446**	-	2,424	-	**2,424**
Foreign exchange forward contracts	21	-	4	-	**4**	-	107	-	**107**
Convertible loan option	15	-	-	148	**148**	-	-	-	-
Total assets recurring fair value measurements		**8,169**	**2,450**	**148**	**10,767**	**6,222**	**2,531**	**-**	**8,753**
Financial liabilities									
Other non-current liabilities	27.1	-	-	5,694	**5,694**	-	-	8,702	**8,702**
Other payables	27.1	-	-	6,370	**6,370**	-	-	21,508	**21,508**
Foreign exchange forward contracts	27	-	-	-	-	-	113	-	**113**
Total liabilities recurring fair value measurements		**-**	**-**	**12,064**	**12,064**	**-**	**113**	**30,210**	**30,323**

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 2015 and 2014.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2015 and 2014 (Note 3.1):

	Fair value at 31 December 2015 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)	Sensitivity of fair value measurement
Assets at fair value					
Convertible loan option EVESTRA	148	Option valuation model	• Price of the stock	3.0 USD/share	The change of the stock price multiples the fair value
			• Strike price of the option	3.5 USD/share	The higher the strike price the lower the fair value
			• Time in years	1.93 year	The longer the time in years the higher the fair value
			• The annualised risk free rate	1.02 %	The higher the annualised risk free rate the higher the fair value
			• Standard deviation of the stock's returns (volatility)	28.34 %	The higher the standard deviation the higher the fair value
Contingent- deferred liabilities at fair value					
GRMed	11,254	Discounted cash flows (DCF)	• Estimated future profits		
			• Foreign exchange rate	44.14 HUF/CNY	The higher the FX rate the higher the fair value
			• Industry WACC*	11.01%	The higher the WACC the lower the fair value
GR Mexico	810	Discounted cash flows (DCF)	• Foreign exchange rate	286.63 HUF/USD	The higher the FX rate the higher the fair value
			• Industry WACC	9.64%	The higher the WACC the lower the fair value
			• Nominal amount outstanding	USD 3.0 million	
Total recurring fair value measurements at Level 3	**12,212**				

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

* The most significant reason behind the increase in the Chinese pharma sector's WACC is the change of beta from 2014 (0.95) to 2015 (1.51).

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.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2014 and 2015.

	PregLem HUFm	GRMed HUFm	GR Mexico HUFm
Fair value at 1 January 2014	**11,915**	**18,173**	**-**
Initial recognition	-	-	821
Effect of paid consideration	-	(5,883)	-
Effect of unwinding of interest	1,003	783	67
Effect of change of probabilities	680	-	-
Effect of fx	1,107	2,371	179
Effect of change in estimated cash-flow	-	(1,006)	-
Fair value at 31 December 2014	**14,705**	**14,438**	**1,067**
Fair value at 1 January 2015	14,705	14,438	1,067
Effect of paid consideration	(17,858)	(7,037)	(427)
Effect of unwinding of interest*	220	299	54
Effect of change of probabilities**	786	-	-
Effect of fx*	2,147	1,133	116
Effect of change in estimated cash-flow**	-	2,421	-
Fair value at 31 December 2015	**-**	**11,254**	**810**

* Effect of unwinding of interest and effect of realised and unrealised fx are presented as financial loss or gain.
** Effect of change of probabilities and effect of change in estimated cash-flow is presented as Other income and expenses (net).

PregLem contingent-deferred purchase price payments

As announced on 6 October 2010, Gedeon Richter acquired a 100% ownership in PregLem. A purchase price up to CHF 445 million was payable, provided that certain milestones were achieved. The payment outstanding as of 31 December 2014 depended upon EU approval of ESMYA® as long term one-off treatment of uterine fibroids to be met in the future by PregLem. The maximum amount of exposure of the Group relating to the contingent-deferred purchase price as of 31 December 2014 was CHF 60 million (HUF 15,711 million). In June 2015 Richter paid the final portion of the contingent-deferred purchase price, because the European Commission (EC) has granted approval for the intermittent use of ESMYA® 5 mg in the long term treatment of uterine fibroids. In comparison with previous year the amount of final payment increased to HUF 17,858 million reflecting the 5% change in the probability and effect of foreign exchange rate.

(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 measuremeuts

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

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

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

12. Property, plant and equipment and Other intangible assets

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

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2014	**141,887**	**226,060**	**14,422**	**382,369**
Translation differences	(1,742)	(741)	(183)	**(2,666)**
Capitalization	5,600	16,909	(22,509)	**-**
Transfers and capital expenditure	81	15	27,716	**27,812**
Disposals	(193)	(4,572)	(5)	**(4,770)**
at 31 December 2015	**145,633**	**237,671**	**19,441**	**402,745**
Accumulated depreciation				
at 31 December 2014	**38,019**	**174,792**	**-**	**212,811**
Translation differences	(231)	(351)	-	**(582)**
Current year depreciation	4,278	15,299	-	**19,577**
Net foreign currency exchange differences	(31)	(109)	-	**(140)**
Transfer / (disposals)	30	(4,306)	-	**(4,276)**
at 31 December 2015	**42,065**	**185,325**	**-**	**227,390**
Net book value				
at 31 December 2014	**103,868**	**51,268**	**14,422**	**169,558**
at 31 December 2015	**103,568**	**52,346**	**19,441**	**175,355**

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.

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

* In 2014 the Parent Company recorded scrapping in amount of HUF 2,077 million in connection with certain licenses.

	Rights	Intellectual property	Research and development	ESMYA*	Total
	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value					
at 31 December 2014	**124,820**	**3,424**	**423**	**76,801**	**205,468**
Translation differences	717	30	-	8,074	**8,821**
Acquisition	5,335	259	-	-	**5,594**
Disposals	(281)	(126)	-	-	**(407)**
at 31 December 2015	**130,591**	**3,587**	**423**	**84,875**	**219,476**
Accumulated amortization					
at 31 December 2014	**43,542**	**2,009**	**85**	**7,252**	**52,888**
Translation differences	303	29	-	763	**1,095**
Current year amortization	8,360	277	84	2,929	**11,650**
Net foreign currency exchange differences	(11)	1	-	(14)	**(24)**
Impairment and reversal of impairment (net)	3,068	-	-	-	**3,068**
Disposals	(18)	(10)	-	-	**(28)**
at 31 December 2015	**55,244**	**2,306**	**169**	**10,930**	**68,649**
Net book value					
at 31 December 2014	**81,278**	**1,415**	**338**	**69,549**	**152,580**
at 31 December 2015	**75,347**	**1,281**	**254**	**73,945**	**150,827**

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

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/USA region)

In the course of PregLem S.A.'s acquisition the rights attached to the distribution in the EU and the USA of ESMYA®, the company's most important product was recognised as an independent intangible asset in 2010. The amortization of this asset 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 CGU with goodwill – see details of impairment testing of the CGU in Note 18 – PregLem S.A.

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

Net book value	31 December 2015 HUFm	31 December 2014 HUFm
ESMYA LatAm	9,371	9,382
Grünenthal	43,515	47,942
Lisvy®	3,407	-
Lenzetto®	915	-
Reacquired right	1,113	1,894
Pharmacy licenses	2,153	2,778
Other, individually non-material rights	14,873	19,282
Total	**75,347**	**81,278**

Rights – ESMYA LatAm intangible asset

In 2014 Richter purchased the right to utilisation of ulipristal acetate (ESMYA®'s active ingredient) for the Latin American region from HRA Pharma, the net book value of this right is HUF 9,371 million as of 31 December 2015 and HUF 9,382 million as of 31 December 2014.
Richter also prepared the impairment test of this intangible asset as of the balance sheet date based on the tests no impairment is to be reported neither in 2015 nor in 2014.

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

The calculations were based on the medium and long term projection adopted by the management.
A significant upswing in cash flows is projected for 2016-2018 in conjunction with rising sales revenue. This trend will turn from 2019 as turnover is expected to drop with the appearance of generic products. From 2022 the turnover will remain virtually the same. Cash flows show a slight decrease in the remaining period (due to the inflation based growth of costs).

The discount rate (post tax: 12.1%; in 2014 8.15%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

Any reasonable change in the key assumptions is still not expected to result in an impairment of this intangible asset. In 2014 the value of ESMYA as an intangible asset was calculated above would drop below the book value if the post-tax discount rate increased to 12.8%.

Rights – Grünenthal

The product rights acquired from Grünenthal in 2010 coutaining 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 43,515 million as of 31 December 2015 and HUF 47,942 million as of 31 December 2014.

Rights – Lisvy®

On 27 January 2015 Richter announced that it entered into a license and distribution agreement with Bayer HealthCare to commercialize the low-dose gestodine and ethinyl estradiol containing transdermal contraceptive patch of Bayer in the European Union, in other European countries and also in certain Latin American countries under the trademark of Lisvy®.
The value of the trademark is presented as Rights. The estimated useful life is 20 years. The amortization period started in 2015. The net book value of the trademark is HUF 3,407 million as of 31 December 2015.

Rights – Lenzetto ®

In 2015 Richter purchased exclusive license in Europe for Lenzetto®, the estradiol spray for treating menopause symptoms manufactured by the Australian pharma company Acrux. Lenzetto® has received multiple marketing approvals in several European countries.
The value of the license is presented as Rights. The estimated useful life is 10 years. The amortization period started in 2015. The net book value of the license is HUF 915 million as of 31 December 2015.

Rights – Reacquired right

The reacquired right arising from the business combination in China in 2013 amortised over the estimated useful life of 39 months starting from 31 December 2013. Net book value of the reacquired right was HUF 1,894 million as of 31 December 2014 and HUF 1,113 million as of 31 December 2015.

Rights – Other

Impairment test was performed on the value of pharmacy licenses in Romania (presented in the Wholesale and retail segment) and as a consequence to that we had to account for HUF 366 million as impairment loss and 1,150 million as reversal of impairment in 2015 and HUF 464 million impairment loss and 314 million as reversal of impairment in 2014. The goodwill related to the pharmacy licenses was also tested for impairment, which is described in Note 18 under the Armedica Trading Group subheading. For pharmacy licenses where the recoverable amount was lower than the carrying value, impairment was recognized first on goodwill balance related to the license, and the remainder of the impairment loss was recognized on the pharmacy licenses. Net book value of pharmacy licenses was HUF 2,153 million as of 31 December 2015 and HUF 2,778 million as of 31 December 2014.

In September 2014 PregLem R&D project, PGL5 (presented in the Pharmaceuticals segment), a Phase II project related to endometriosis that had already been discontinued earlier was written off. Thus the book value of the license fees capitalised earlier was written off as impairment in the amount of HUF 711 million as Other income and other expenses (net) in 2014.
In September 2015 the Board resolved to approve the discontinuation of PGL 1 research project and wrote-off the related Intangible assets (including license fees) in the amount of HUF 590 million.

On 21 September 2015 Gedeon Richter Plc. announced that the license and collaboration agreement established with the US based Palatin Technologies, Inc. in September 2014, to co-develop and commercialize bremelanotide for female sexual dysfunction (FSD) indications in the European Union, other European countries and additional selected countries was terminated under mutually agreed terms fully releasing the parties from any and all legal and financial claims or obligations. The book value of the related license was written off as impairment in the amount of HUF 3,134 million.

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

13. Consolidated companies

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

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal aetivity
		2015	2014	2015	2014	
AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.90	99.90	99.90	99.90	Pharmaceutical manufacturing
Gedeon Richter Polska Sp. z o.o.	Poland	99.84	99.84	99.84	99.84	Pharmaceutical manufacturing
Richter Themis Pvt. Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
Gedeon Richter Pharma GmbH	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
Gedeon Richter UA PAT	Ukraine	98.16	98.16	98.16	98.16	Pharmaceutical manufacturing
Gedeon Richter UK Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Iberica S.A.U	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading
Nedermed B.V.	The Netherlands	100.00	100.00	100.00	100.00	Pharmaceutical trading
Medimpex Japan Co. Ltd.	Japan	90.90	90.90	90.90	90.90	Pharmaceutical trading
Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
Armedica Trading S.R.L.	Romania	99.90	99.90	99.90	99.90	Asset management
Gedeon Richter Farmacia S.A.	Romania	99.90	99.90	99.90	99.90	Pharmaceutical retail
Gedeon Richter France S.A.S.	France	100.00	100.00	100.00	100.00	Pharmaceutical retail
I.M. Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
Medimpex UK Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Farnham Laboratories Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Aptyeka SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Pharmafarm S.A.	Romania	99.90	99.90	99.90	99.90	Pharmaceutical wholesale
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
		2015	2014	2015	2014	
Gedeon Richter Marketing Polska Sp. z o.o.	Poland	99.97	99.97	99.97	99.97	Marketing services
Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical retail
PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Manufacturing and research
Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
I.M. Rihpangalpharma S.R.L.	Moldavia	65.00	65.00	65.00	65.00	Pharmaceutical trading
Gedeon Richter Portugal, Unipessoal Lda.	Portugal	100.00	100.00	100.00	100.00	Marketing services
PregLem France S.A.S.	France	100.00	100.00	100.00	100.00	Marketing services
Pesti Sas Patika Bt.	Hungary	74.00	74.00	74.00	74.00	Pharmaceutical retail
Gedeon Richter Slovenija, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
TOO Gedeon Richter KZ	Kazakhstan	100.00	100.00	100.00	100.00	Marketing services
Grmed Company Ltd.	Hong-Kong	100.00	100.00	81.00	66.00	Asset management
Rxmidas Pharmaceuticals Company Ltd.	China	100.00	100.00	81.00	66.00	Marketing services
Gedeon Richter Pharmaceuticals (China) Co. Ltd.	China	100.00	100.00	81.00	66.00	Marketing services
Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	80.00	70.00	Pharmaceutical trading
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	51.00	51.00	51.00	51.00	Pharmaceutical trading
Comercial Gedeon Richter (Chile) Ltda.	Chile	100.00	100.00	100.00	51.00	Pharmaceutical trading
Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	51.00	Pharmaceutical trading
Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	51.00	Pharmaceutical trading
GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	51.00	Pharmaceutical trading
Gedeon Richter Bolivia SRL	Bolivia	100.00	100.00	100.00	51.00	Pharmaceutical trading

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

The total non-controlling interest as of 31 December 2015 is HUF 3,645 million, of which HUF 1,314 million is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,160 million is attributed to Medimpex West Indies Ltd. and HUF 710 million is for Gedeon Richter Polska Sp. z o.o. Neither the impact of gross assets and liabilities nor the impact of cash and cash equivalents from other subsidiaries with non-controlling interests are material to the Group

Name	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit/ (loss)	Dividends paid
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
2015							
Gedeon Richter Polska Sp. z o.o.	7,346	10,574	1,015	2,366	16,450	1,390	378
Medimpex West Indies Ltd.	55	3,495	-	621	3,009	352	17
Richter-Helm BioLogics GmbH & Co. KG	4,787	3,764	3,288	884	7,806	475	-

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

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

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

14. Investments in associates and joint ventures

	2015 HUFm	2014 HUFm
At 1 January	**5,408**	**4,023**
Additional payment	110	140
Share of profit/(loss) of associates and joint ventures	1,502	828
Net investments*	241	692
Dividend	(172)	(61)
Exchange difference	51	(214)
At 31 December	**7,140**	**5,408**
out of investment in associates	*4,948*	*3,761*
out of investment in joint ventures	*2,192*	*1,647*

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

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

	2015 HUFm	2014 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**11,508**	**7,727**
Profit for the year*	3,836	3,931
Dividends	(153)	(150)
Closing net assets of Hungaropharma Zrt. at 31 December	**15,191**	**11,508**
Interest in associate (at 30.85%)	4,686	3,550
Unrealised profit elimination	(38)	(40)
Interest in other associates	300	251
Carrying value at 31 December	**4,948**	**3,761**

* 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.

all amounts in HUFm

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	%
2015									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	8,713	44,898	2,967	35,333	269,520	4,078	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	2	60	-	23	487	21	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	39	133	-	18	466	29	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	29	41	-	41	365	10	20.00
Vita-Richter SP OOO	Azerbaijan	Pharmaceutical trading	809	-	695	-	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	5,362	318	3,299	2,458	313	(81)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	-	1	-	-	-	(1)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	404	8	-	439	-	(31)	24.00

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	%
2014									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	8,855	44,362	6,892	34,753	245,413	3,366	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	2	61	-	22	474	22	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	37	147	-	25	480	42	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	30	37	20	29	318	12	20.00
Vita-Richter SP OOO	Azerbaijan	Pharmaceutical trading	598	-	514	-	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	5,724	285	3,459	2,657	325	(112)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	-	3	-	1	4	2	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	330	40	-	436	-	(73)	24.00

The financial statements for 2015 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2014 has not been amended in 2015 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2014.
Amounts of assets, liabilities, revenues and profit/loss are preseuted at 100%.
The associates did not have any item in Other Comprehensive Income (in 2015 and 2014).

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	%
2015										
Gedeon Richter Rxmidas JV Co. Ltd.	Hong-Kong	Marketing services	-	2,179	-	186	2,291	985	27	50.00
Medimpex Irodaház Kft.*	Hungary	Renting real estate	2,508	69	33	155	262	49	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	8	-	1	0	(1)	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products	-	616	10,057	238	1,240	(529)	24	50.00

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

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

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

15. Other financial assets

	31 December 2015 HUFm	31 December 2014 HUFm
Held to maturity investments carried at amortised cost	1,815	1,588
Investments carried at amortised cost as loans and receivables	16,282	16,374
Available-for-sale investments carried at fair value	8,169	6,222
Financial assets carried at fair value through profit or loss	148	-
Total	**26,414**	**24,184**

Held to maturity investments carried at amortised cost are bonds issued or granted by the Hungarian State.

Investments carried at amortised cost as loans and receivables comprise exchangeable bonds that were issued at 6 December 2013 by the Hungarian State Holding Company (MNV Zrt.) with maturity date of 2019. A minor portion was purchased by Richter in the nominal value of EUR 52 million which is carried at HUF 16,282 million as of 31 December 2015 (HUF 16,374 million as of 31 December 2014).

Available-for-sale investment contains 5% ownership in Protek Holding valued at fair value based on the closing stock exchange price. Since there was significant growth in the share price, which was only partially offset by the unfavourable change of RUB/HUF exchange rate, an increase has been recorded against revaluation reserve for available for sale investments (through Consolidated Statement of Comprehensive Income). As a result of the significant decrease - both in share price and in the exchange rate – revaluation loss was recorded in 2014 (Note 24).

	31 December 2015 HUFm	31 December 2014 HUFm
Share price (RUB/share)	61.1	39.1
RUB/HUF exchange rate	3.88	4.45
Change in the fair value	1,662	(3,877)

On 19 February 2015 Gedeon Richter Plc. and Evestra Inc. announced that they have signed a collaboration agreement in which Richter is providing a US 5 million convertible loan to Evestra. Under the terms of the agreement, after three years Richter has an option to decide whether the loan is to be reimbursed, including earned interest, or converted into an equity stake in Evestra. According to IAS 39 this option was entitled as embedded derivative, measured at fair value and booked through profit and loss (fair value measurement is provided in Note 11). Initial recognition of the derivative did not impact the Consolidated Income Statement. The loan (host instrument) is presented as Loans receivable in the Consolidated Balance Sheet (Note 21).

16. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2015 HUFm	31 December 2014 HUFm
Current tax assets	539	603
Current tax liabilities	425	281

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 2015 HUFm	31 December 2014 HUFm
Deferred tax assets	7,487	8,606
Deferred tax liabilities	(8,939)	(8,876)
Net position at 31 December	**(1,452)**	**(270)**

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

Deferred tax assets	**PPE and intangible assets** HUFm	**Provision** HUFm	**Impairment** HUFm	**Other temporary differences*** HUFm	**Unrealised profit elimination** HUFm	**Total** HUFm
31 December 2013	**580**	**487**	**157**	**(76)**	**2,773**	**3,921**
Acquisition of subsidiary	-	-	-	1	-	1
(Debited)/credited to the income statement	(86)	377	459	1,836	1,818	**4,404**
(Debited)/credited to other comprehensive income	-	(14)	-	282	-	**268**
Exchange differences	(13)	8	1	6	-	**2**
Transfer	3	9	-	(2)	-	10
31 December 2014	**484**	**867**	**617**	**2,047**	**4,591**	**8,606**
(Debited)/credited to the income statement	(31)	152	(88)	(1,677)	511	**(1,133)**
(Debited)/credited to other comprehensive income**	-	12	-	53	-	**65**
Exchange differences	(9)	(1)	-	(41)	-	**(51)**
31 December 2015	**444**	**1,030**	**529**	**382**	**5,102**	**7,487**

* The balance of deferred tax assets as a result of the negative taxable income recognised in 2014 at the Parent Company was fully used in 2015 which reduced the balance of deferred tax asset by HUF 1,863 million.

Deferred tax liabilities	PPE and intangible assets	Fair valuation	ESMYA*	Other temporary differences	Total
	HUFm	HUFm	HUFm	HUFm	HUFm
31 December 2013	**110**	**67**	**6,765**	**746**	**7,688**
Debited/(credited) to the income statement	47	-	336	98	**481**
Debited/(credited) to other comprehensive income	-	31	-	37	**68**
Exchange differences	17	2	560	50	**629**
Transfer	10	-	-	-	**10**
31 December 2014	**184**	**100**	**7,661**	**931**	**8,876**
Debited/(credited) to the income statement	14	-	(576)	(281)	**(843)**
Debited/(credited) to other comprehensive income**	-	115	-	(37)	**78**
Exchange differences	5	-	809	14	**828**
31 December 2015	**203**	**215**	**7,894**	**627**	**8,939**

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

** Deferred tax assets and liabilities debited/credited to other comprehensive income was HUF 13 million (expense) ,out of which accounted through revaluation reserve HUF 366 million (expense, see Note 24) and HUF 353 million (gain) accounted through retained earnings.

From the deferred tax balance presented above it is expected that HUF 8,102 million (in 2014 HUF 7,852 million) of the liabilities and HUF 1,438 million (in 2014 HUF 1,381 million) of the assets will reverse after 12 months.

At 31 December 2015 Richter Group has HUF 15,625 million unused tax loss (that would result in HUF 2,500 million deferred tax asset) for which no deferred tax asset has been recognised since the recovery is not probable, while in 2014 the Group had HUF 28,163 million unused tax loss (that would have resulted in HUF 4,508 million deferred tax asset). In 2015 most of the unused tax loss is connected to the Romanian subsidiaries for which no deferred tax asset has been recognised.

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

17. Loans receivable

	31 December 2015	31 December 2014
	HUFm	HUFm
Loans given to related parties	1,119	2,548
Loans given to employees	543	537
Other loans given	2,021	836
Total	**3,683**	**3,921**

18. Goodwill

	Goodwill HUFm
Cost	
At 1 January 2014	**50,962**
Increase deriving from acquisition of subsidiaries (Note 36)	3,977
Exchange differences	6,213
Impairment charged for the year	(66)
At 31 December 2014	**61,086**
At 1 January 2015	61,086
Measurement period adjustment	(527)
Decrease deriving from sale of subsidiaries	(87)
Exchange differences	4,565
Impairment charged for the year	(149)
At 31 December 2015	**64,888**

Closing goodwill on Cash Generating Units (Companies)

	31 December 2015 HUFm	31 December 2014 HUFm
Pharmaceuticals segment		
GR Polska Sp. z o.o.	1,099	1,105
Richter-Helm BioLogics Co & KG	100	100
PregLem S.A.	34,559	31,271
GRMed Company Ltd.	24,161	22,853
GR Brasil	60	81
GR Mexico	2,092	2,764
Mediplus Group	1,679	1,518
Wholesale and retail segment		
Armedica Trading Group	1,077	1,333
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**64,888**	**61,086**

Impairment test of the goodwill is based on the following assumptions:

Gedeon Richter Polska Sp. z o.o.
Gedeon Richter Polska Sp. z o.o. achieved significant profit in 2015, and according to its midterm financial plans further growth is expected of the company. As a result of this no impairment was required at the end of financial year of 2015 similar to 2014. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Armedica Trading Group
The Group has allocated the goodwill to individual pharmacies and performs the impairment review on group of cash generating units (CGU) level similarly to prior years. Two groups of CGUs have been set up and the pharmacies were categorized into these groups based on their current EBITDA performance.
Each year the performance of the pharmacies is assessed whether they are grouped into the correct category of pharmacies. Similarly to 2013 and 2014 a classification criterion has been defined as -3.5% EBITDA/sales level in 2015. The Group determined this level by analyses. The pharmacies that exceeded the above mentioned EBITDA/sales ratio achieved in total an EBIDTA amount close to break even and the Group expects that the performance of this pharmacies will improve.

Similarly to previous years we have assessed the recoverable amount with fair value less cost to sell method considering the economic environment, which changed significantly in comparison to the prior year. The compensation of reimbursed products accelerated further in 2015 increasing the liquidity and cash generating ability of pharmacies. In the fair value less cost to sell model we have made estimation on future performance based on historical data and realistic market assumptions on mid and long term timeframe. The Group performed the present value calculation using estimation of 15 years cash flows which is in line with the remaining estimated useful life of the licenses. In 2015, the management has determined that the pharmacy licences have a residual value, based on the sales of the pharmacy licences during 2015. The change in the estimate had no material impact to the amortisation expense.

In case of the underperforming group where the recoverable amount of the group is less than its carrying amount the Group has recorded impairment on the entire goodwill balance (HUF 149 million), and impairment was required on the related pharmacy licenses as disclosed in Note 12. No impairment was required on the good performance group of pharmacy licenses.

We also performed sensitivity test on the good performing pharmacies including the following parameters: Volume of sales, Weighted Average Cost of Capital (WACC) and mark-up. By changing ceteris paribus these factors: 5% decline in the volume of sales would require full impairment for both goodwill and pharmacy licenses. 5% decrease of the mark-up would require full impairment of goodwill and partial impairment of pharmacy licenses. 5% increase of WACC would not require additional impairment neither for goodwill nor for the related licenses.

PregLem S.A.

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe. On the acquisition the intangible asset ESMYA (Note 12) and goodwill were also recognized.

At the date of the acquisition ESMYA®, the most important product in this portfolio, a novel treatment for uterine fibroids, was close to the registration. In February 2012 the European Commission (EC) has granted marketing authorization to ESMYA® as pre-operative treatment of uterine fibroids what was followed by the authorizations for the extended (use up to two courses - 2014) and intermittent use (2015).

Similarly to the previous year, Richter conducted an impairment test of PregLem for the 2015 balance sheet date and found that again there is no need to account for impairment. Considering that the future cash flows from continued use of the acquired assets are considerable, the return has been determined for a cash generating unit including the ESMYA intangibles, PregLem goodwill and other tangible assets used to generate cash inflows (ESMYA CGU).

The return on the ESMYA CGU is determined by means of the income-based method with a fair value less cost to sell approach. The calculations are based on the approved budgets and management projections, the underlying cash flows of which are expected to reflect market participant assumptions as well.

Cash flows have been projected over the estimated useful life of the asset. Future cash flows are basically affected by changes in turnover, which has three main phases: ramp-up, staying at level, and decline once generic competition starts.

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

EU ESMYA® sales: Generic competition is not expected before 2025 in the European Union due to the data and marketing exclusivity granted by authorities effective till 2022 and also the Company's patent portfolio (both granted patent and pending patent applications) protecting ESMYA®.
Main assumptions in 2014: granted authorization for extended use in 2014, the product was expected to be authorized for long-term treatment from third quarter of 2015. The Group expected data exclusivity till 2020, so generic competition and market share loss/price decrease was expected from only 2020 as a consequence.

The product has been authorized for the long term treatment of uterine fibroids, which increases the overall sales potential and extends the time horizon for the product to reach this potential.

The majority (80%) of the recoverable amount is generated by the EU cash flows: sales revenue is expected to peak in 2019 and maintain that level until 2024. The Compound Annual Growth Rate – CAGR - (for the period 2016-2019 is 28% and in 2014 for the period 2015-2019 was 46%). Cash flow peaks in 2024 as a result of declining cost of sales (expiration of license fee obligation). Sales are expected to decline over 5 years starting with 2025 – the first year of generic competition - (CAGR -15%) and to remain stable after that till the end of the forecast period.

USA ESMYA® sales: In the United States, the combined effects of the delayed launch (2018) compared to EU markets and the Company's patent portfolio will not make it likely that effective generic competition could start before 2030.
Main assumptions in 2014: ESMYA® was expected to be launched in 2018 by the US partner. As a conservative scenario, sales decrease had been considered from 2022 because of the expiration of exclusivity.

The discount rate (post tax: 9.2%; in 2014 9.55%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present value of cash flows up to 2023 is approximately the same as the present value of cash flows after that year.

The recoverable amount of ESMYA CGU exceeded carrying value of the sum of ESMYA intangible asset, other tangible assets used to generate cash inflows and the related GW. A rise in post tax discount rate to 10.8 % (in 2014: 10.8%) would remove the remaining headroom.

GRMed Company Ltd.

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

The goodwill impairment was tested as of the balance sheet date of 31 December 2015 and 2014 it was found that there is no need to account for impairment neither in 2015 nor in the previous year.

Considering that the future cash flows from continued use of the assets are considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost to sell approach. The calculations were based on the long term turnover projection and costing plan adopted by the management, the underlying cash flows of which are expected to reflect market participant assumptions as well.
The present value of cash flows beyond this was determined by means of the terminal value formula.

A steady increase in cash flows is envisioned for the projection period (2016-2026) due to the average annual 10.8% (8.1% in 2014) growth in turnover.

The present value of the 2016-2026 cash flows alone is substantially (50%) higher the CGU's book value. By a conservative estimate of residual value (calculating with 0% growth), the return is 2.9 times (3.5 times in 2014) the tested amount.

The discount rate (post tax: 11.01%; in 2014 6.26%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

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

Mediplus Group

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

The goodwill impairment was tested as of the balance sheet date of 31 December 2015 and it was found that there is no need to account for impairment.

The recoverable amount of this group of cash generating units (CGUs) is determined by an income based fair value less cost to sell calculation. The calculations were based on the long term turnover projection (2016-2025) based on the data of Mediplus Group (Mediplus (Economic Zone) N.V., Comercial Gedeon Richter (Chile) Ltda., Gedeon Richter Peru S.A.C., GEDEONRICHTER Ecuador S.A., Gedeon Richter Bolivia SRL) adopted by the management, 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. These cash flow projections do not include the sales of ESMYA® in the region, because these are included in the impairment test of Rights – ESMYA LatAm presented in Note 12.

Within the above period a significant upswing in the present value of cash flows is projected for 2016-2018 in conjunction with 25.0% (in 2014 16.8%) annual average increase in sales revenues. After 2018 cash flows remain near the same level, because the projection envisions a continuous but minor (1.4%; in 2014 2.8%) growth in turnover for the remainder of the period. Neither growing nor declining trend has been taken into consideration when calculating the residual value.

The discount rate (post tax: 12.91%; in 2014 8.15%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present value of the 2016-2025 cash flows is 53% higher than the terminal value. In 2014 there was no significant difference between the present value of the 2015-2020 cash flows and the terminal value.

The calculated recoverable amount is 24.9% in excess of the CGU's book value. A rise in post tax discount rate to 15.5 % would remove the remaining headroom.

GR Mexico

DNA Pharmaceuticals S.A. of Mexico was acquired and involved in consolidation in 2014. The realised goodwill was tested for impairment as of 31 December 2015.

Similarly to other goodwill impairment tests, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost to sell approach. The calculations were based on the long term turnover projection adopted by the management (2016-2025), 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.

Cash flows vary over the period 2016-2021, but only to limited extent (relative standard deviation is 7.5%). After 2021 cash flows remain near the same level. Residual value was calculated under similar expectations (0% growth or decline).

The discount rate (post tax: 9.64%; in 2014 8.15%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present value of the 2016-2025 cash flows exceeds the terminal value by 36%. In 2014 the present value of the 2015-2020 cash flows and the terminal value were approximately identical.

The calculated return is about 76% (in 2014 47%) above the CGU's book value. The impairment test resulted in substantial headroom which would be eliminated by a rise in post tax discount rate to 17.1% (in 2014 13.9%).

19. Inventories

	31 December 2015 HUFm	31 December 2014 HUFm
Raw materials, packaging and consumables	27,703	27,381
Production in progress	1,592	1,299
Semi-finished and finished goods	40,756	37,772
Total	**70,051**	**66,452**

Inventories include impairment and scrapping in value of HUF 1,889 million and reversal of impairment in value of HUF 351 million in 2015 (HUF 1,967 million impairment and scrapping and HUF 176 million reversal was made in 2014).
The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.
As of 31 December 2015 the total carrying amount of inventories that are valued at net realisable value amounts to HUF 2,168 million (in 2014 it was HUF 1,398 million).
All items of Inventories are free from liens and charges.

20. Trade receivables

	31 December 2015 HUFm	31 December 2014 HUFm
Trade receivables	90,215	93,987
Amounts due from related companies (Note 38)	2,324	1,268
Total	**92,539**	**95,255**

Ageing of Trade receivables

	31 December 2015 HUFm	31 December 2014 HUFm
Trade receivables not yet due	83,752	80,384
Trade receivables overdue, not impaired	7,591	12,892
1-90 days	*6,237*	*11,493*
91-180 days	*939*	*1,042*
181-360 days	*308*	*261*
>360 days	*107*	*96*
Trade receivables overdue, impaired	8,423	9,389
1-90 days	*1,145*	*2,951*
91-180 days	*1,660*	*778*
181-360 days	*424*	*1,963*
>360 days	*5,194*	*3,697*
Impairment on trade receivables	(7,227)	(7,410)
1-90 days	*(407)*	*(2,799)*
91-180 days	*(1,532)*	*(504)*
181-360 days	*(383)*	*(710)*
>360 days	*(4,905)*	*(3,397)*
Total	**92,539**	**95,255**

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

	31 December 2015 HUFm	31 December 2014 HUFm
At 1 January	**7,410**	**4,055**
Provision for receivables impairment	2,022	4,499
Reversal of impairment for trade receivables	(1,755)	(1,460)
Exchange difference	(450)	316
At 31 December	**7,227**	**7,410**

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

Both in 2015 and in 2014 it was required to account for impairment on one individually significant customer covering its entire balance.

21. Other current assets

	31 December 2015 HUFm	31 December 2014 HUFm
Loans receivable	2,893	1,549
Other receivables	2,336	3,095
Fair value of open forward exchange contracts	4	107
Subtotal of financial assets	**5,233**	**4,751**
Tax and duties recoverable	3,982	4,306
Advances	1,842	1,811
Prepayments	2,870	2,723
Total	**13,927**	**13,591**

22. Investments in securities

	31 December 2015 HUFm	31 December 2014 HUFm
Government bonds (HTM)*	1,524	18,449
Money market funds (AFS)	2,428	2,401
Other securities (AFS)	18	23
Total	**3,970**	**20,873**

*Treasury bills and government securities are issued or granted by the Hungarian State.

The value of Government bonds decreased by HUF 16,926 million since they matured in 2015.

23. Cash and cash equivalents

	31 December 2015 HUFm	31 December 2014 HUFm
Bank deposits	132,262	97,807
Cash on hand	112	133
Total	**132,374**	**97,940**

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 80%) 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.

24. Share capital and reserves

Share capital	31 December 2015		31 December 2014	
	Number	HUFm	Number	HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Parent

Ownership	Ordinary shares number		Voting rights %		Share capital %	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Domestic ownership	**58,409,460**	**60,215,733**	**31.48**	**32.54**	**31.34**	**32.31**
MNV Zrt.	47,051,668	47,051,668	25.36	25.43	25.25	25.25
Municipality	149	1,164	0.00	0.00	0.00	0.00
Institutional investors	5,498,517	5,035,532	2.96	2.72	2.95	2.70
Retail investors	5,859,126	8,127,369	3.16	4.39	3.14	4.36
International ownership	**126,745,169**	**124,776,802**	**68.30**	**67.45**	**68.00**	**66.95**
Retail investors	2,451,470	1,203,083	1.32	0.65	1.32	0.65
Institutional investors	124,293,699	123,573,719	66.98	66.80	66.68	66.30
out of which Aberdeen Asset M. Plc.	18,243,530	19,119,054	9.83	10.33	9.79	10.26
Undisclosed ownership	**408,576**	**16,638**	**0.22**	**0.01**	**0.22**	**0.01**
Treasury shares*	**811,655**	**1,365,687**	**0.00**	**0.00**	**0.44**	**0.73**
Share capital	**186,374,860**	**186,374,860**	**100.00**	**100.00**	**100.00**	**100.00**

* The treasury shares have no voting rights.

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

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

Foreign currency translation reserves

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

Revaluation reserve for available for sale investments

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

	Revaluation reserve for available for sale investments HUFm
At 1 January 2014	**4,915**
Recycled through Other comprehensive income	(1)
Revaluation gross	(3,253)
Deferred tax effect	215
At 31 December 2014	**1,876**
Recycled through Other comprehensive income	(2)
Revaluation gross	1,815
Deferred tax effect	(366)
At 31 December 2015	**3,323**

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 detailed in Note 25 Treasury shares.

	2015 HUFm	2014 HUFm
Expense recognized in current year	4,260	5,239
Treasury share given (Note 25)	4,217	4,954
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**43**	**285**

25. Treasury shares

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

Bonus program
Richter operates a bonus share programme since 1996 to further incentivise managers and key employees of the Company. In 2015 327,378 shares were granted to 454 employees of the Company while in 2014 400,776 shares were granted to 454 employees.

Individual bonuses
422,917 ordinary shares were granted to qualified employees as bonuses during the year while 422,760 ordinary shares were granted in 2014.

Staff Stock Bonus Plan
Pursuant to a programme approved by the National Tax and Customs Administration related to employee share bonuses (Staff Stock Bonus Plan 2015), the Company granted 350,694 treasury shares to 4,356 employees in 2015. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2018. In 2014 478,725 shares were granted to 4,959 employees deposited on their accounts until 2 January 2017.

The AGM held on 28 April 2015 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 150,000 treasury shares at the Budapest Stock Exchange during the year, and a further 375,304 shares on the OTC market.

Ordinary shares	**2015** Numbers	**2014** Numbers
at 1 January	**1,365,687**	**166,778**
Out of these, number of shares owned by subsidiaries	*1,361,988*	*105,500*
Share purchase	525,304	2,482,083
Transferred as part of bonus program	(327,378)	(400,776)
Individual bonuses	(422,917)	(422,760)
Granted pursuant to the National Tax and Customs Administration - approved plan	(350,694)	(478,725)
Granted pursuant to the National Tax and Customs Administration - repurchased	21,653	19,087
at 31 December	**811,655**	**1,365,687**
Out of these, number of shares owned by subsidiaries	*710,284*	*1,361,988*

	2015 HUFm	**2014** HUFm
Book value		
at 1 January	**4,881**	**321**
Share purchase	2,542	9,514
Transferred as part of bonus program	(1,024)	(1,607)
Individual bonuses	(1,736)	(1,713)
Granted pursuant to the National Tax and Customs Administration - approved plan	(1,548)	(1,710)
Granted pursuant to the National Tax and Customs Administration - repurchased	91	76
at 31 December	**3,206**	**4,881**

26. Trade payables

	31 December 2015 HUFm	31 December 2014 HUFm
Trade payables	38,204	36,334
Amount due to related companies	5	1
Total	**38,209**	**36,335**

27. Other payables and accruals

	31 December 2015 HUFm	31 December 2014 HUFm
Short term accruals	9,219	8,740
Other liabilities	2,211	2,240
Contingent-deferred purchase price liabilities	6,370	21,508
Dividend payable	152	147
Fair value of open forward exchange contracts	-	113
Subtotal of financial liabilities	**17,952**	**32,748**
Wages and payroll taxes payable	4,834	5,534
Other taxes	771	890
Deposits from customers	669	542
Accrual for taxes and social contributions of share options and other bonuses	443	508
Total	**24,669**	**40,222**

27.1 Contingent-deferred purchase price

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

	31 December 2015 HUFm	31 December 2014 HUFm
Non-current liabilities		
PregLem	-	-
GRMed	5,307	8,019
GR Mexico	387	683
	5,694	**8,702**
Current liabilities		
PregLem	-	14,705
GRMed	5,947	6,419
GR Mexico	423	384
	6,370	**21,508**
Total	**12,064**	**30,210**

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

28. Provisions

	31 December 2015 HUFm	31 December 2014 HUFm
Other short term provisions	1,907	1,107
Long term provisions – for retirement and other long term benefits*	2,928	2,770
from this defined retirement benefit plans at the Parent	*1,394*	*1,285*
from this defined retirement benefit plans at GR Polska	*300*	*290*
from this defined retirement benefit plans at PregLem	*60*	*55*
Total	**4,835**	**3,877**

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

At 31 December 2014, Other short term provisions included provisions created to the estimated liability based on the record of the 2014 audit by the National Tax and Customs Administration (HUF 214 million). The second instance decision dated 11 May 2015 reduced the tax penalty imposed by the first instance decision. Upon settlement of this liability the Company removed the provision created for the purpose.

At 31 December 2015, Other short term provisions include provisions created for contingent liabilities, such as individual bonuses, and 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 Union Agreement of Gedeon Richter Plc. the retiring employees are entitled to the following additional benefit in case the employment contract ends with mutual agreement or regular dismissal:

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

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

The 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.

	2015 HUFm	2014 HUFm
Opening value of retirement benefit	1,285	1,256
Interest costs (charged to the P&L)	43	41
Current service costs (charged to the P&L)	106	105
Settlement	(63)	(75)
Recognized past service cost (charged to the P&L)	0	0
Actuarial loss/(gain) (charged to the OCI)	23	(42)
Retirement benefit	**1,394**	**1,285**

The principal actuarial assumptions were as follows:

The estimation was performed with a 2.0% annual increase in the wages.

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."
When estimating the level of interest we apply the yields of long term government securities established by EUROSTAT on a country by country basis for the reported year and published at the date closest to the assessment.
In the present case the yield published in December 2015 was used to determine the discount rate for the calculation of liabilities. In this calculation the year end interest rate (3.47%) was applied.

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

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

Term of employment at Richter	Annual average probability of resigning	Uncertainty factor related to the probability of resigning
Relevant data applied during the actuarial calculation:		
between 1-5 years	6.3%	5.0%
between 6-15 years	3.5%	10.0%
between16-30 years	1.6%	20.0%
over 30 years	1.3%	30.0%

29. Borrowings

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

	31 December 2015 HUFm	31 December 2014 HUFm
Long-term borrowings	37,188	44,155
Short-term borrowings	6,523	14,525
Total	**43,711**	**58,680**

Borrowings contained club credit facility of EUR 150 million taken in November 2010 by Gedeon Richter Plc. for 5 year period. The purpose of this facility is to finance general objectives of the Parent Company. The club comprises ING Bank Zrt, Raiffeisen Bank Zrt. and K&H Bank Zrt. The outstanding balance of the short-term borrowing as of 31 December 2014 was EUR 33.3 million (HUF 10,497 million). This borrowing of the Group has been fully repaid until 31 December 2015.

In June 2011 Gedeon Richter Plc. and the European Investment Bank (EIB) signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period. This agreement has as its aim the financing during the period of 2011-2014 of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of bio similar products. Total credit line has been drawn down until 31 December 2013. The outstanding balance of this borrowing as of 31 December 2014 was EUR 150 million (HUF 47,234 million), while as of 31 December 2015 EUR 137.5 million (HUF 43,054 million) after the repayment of EUR 12.5 million (HUF 3,936 million) in 2015.

30. Other non-current liabilities and accruals

	31 December 2015 HUFm	31 December 2014 HUFm
Government grants	1,149	1,317
Other non-current liabilities	974	37
Contingent-deferred purchase price liabilities	5,694	8,702
Total	**7,817**	**10,056**

The contingent-deferred purchase prices described in more detailed in Note 3.1 and Note 27.
Government grants relates to property, plant and equipment.

31. Dividend on ordinary shares

	2015 HUFm	2014 HUFm
Dividend on ordinary shares	6,150	10,614

A dividend of HUF 33 per share (HUF 6,150 million) was declared in respect of the 2014 results, approved at the Company's Annual General Meeting on 28 April 2015 and paid during the year.

32. 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 2015 HUFm	31 December 2014 HUFm
Contractual capital commitments of Parent	5,959	5,124
Contractual capital commitments of AO Gedeon Richter -RUS	37	121
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	21,879	23,868
Capital expenditure that has been authorised by the directors but has not yet been contracted for at AO Gedeon Richter-RUS	1,192	1,332

The capital expenditure programme of the Parent Company approved by the Board of Directors totalling HUF 27,838 million comprises all costs associated with capital expenditure planned for 2016. The above commitments were not recorded either in the Income Statement or in the Balance Sheet.

33. Operating lease – Group as lessee

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

	2015 HUFm	2014 HUFm
Within 1 year	4,733	4,858
Between 1 and 5 years	10,065	9,128
Over 5 years	2,634	2,601
Total	**17,432**	**16,587**

The agreements do not include purchase option.
In 2015 HUF 6,549 million and in 2014 HUF 7,983 million has been recorded as operating lease expense.

34. 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.

35. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 27% and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2015 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 within five years of the statutory retirement age. The total cost of the contributions made by the Parent Company was HUF 1,106 million in 2015 (in 2014: HUF 1,074 million).

The Parent Company has contributed to a private health insurance fund for the benefit of its employees since 1 September 2003. Amounts paid were HUF 4,000/person/month in 2015 and in 2014. The total amount paid for employees was HUF 242 million during 2015 (in 2014 it was HUF 245.6 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 31 million in 2015 and HUF 30 million in 2014.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 306 million and HUF 316 million in 2015 and 2014, respectively.

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

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

36. Business Combination

Business Combination in 2015

The Group has no new acquisitions in 2015.

The amount of goodwill realised to the acquisition of Gedeon Richter Mexico, S.A.P.I. de C.V. was reduced by HUF 527 million in 2015. The reason of the adjustment was the identification of a new asset (long term receivable) during the measurement period.

Business Combination in 2014

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

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

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

The acquisition date was 1 January 2014.

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

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

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

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

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

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

The acquisition date was 30 June 2014.

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

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

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

The company did not contribute significantly to the Profit for the year of the Group in 2014.

If the company was acquired as of 1 January 2014 the Profit for the year would not be significantly affected either.

Mediplus Group

The acquisition date was 30 June 2014.

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

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

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

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

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

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

37. Contingent liabilities

Uncertain tax position in Romania

From 1 October 2009 the Government approved a debated claw-back regime in the range of 5-12 % (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the domestic manufacturers and wholesalers from sales of reimbursed drugs. The Group has similar taxes in other countries which are treated as other expense in the Consolidated Financial Statements. On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force levying direct liabilities for the domestic and foreign mauufacturers. No provision has been recorded related to the contingent liabilities for the periods preceding 1 October 2011. The uncertain tax position has not been quantified in the Financial Statements because there is an ongoing debate on the taxable person and the calculation of the tax, therefore a reliable estimate cannot be made on the exposure. Contingent liabilities for the period between 1 October 2009 and 31 December 2010 became forfeited by the end of 2015.

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.

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

	2015 HUFm	2014 HUFm
Dividend paid to MNV Zrt.	1,564	2,682

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

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 2015 HUFm	31 December 2014 HUFm
Loans to associated companies	3,461	3,629
Loans to joint ventures	58	78
Trade receivables (joint ventures)	320	106
Trade receivables (associates)	2,004	1,162
Trade payables (associates)	5	1
Revenue from joint ventures	1,170	1,852
Revenue from associates	12,975	13,420

The loans are nominated in Hungarian Forint and Euro, out of which HUF 2,400 million expires within a year HUF 108 million between 1 and 2 years, HUF 1,011 million between 2 and 5 years.
Revenues from related parties almost exclusively represents sale of pharmaceutical products. The Group has open trading commitments with related parties as of 31 December 2015 in amount of HUF 10 million.

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

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

38.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance 2015 HUFm	 2014 HUFm
Board of Directors	70	70
Supervisory Board	24	24
Total	**94**	**94**

38.3 Key management compensation

	2015 HUFm	2014 HUFm
Salaries and other short term employee benefits	726	706
Share based payments	1,389	1,114
Total short term compensation	**2,115**	**1,820**
Pension contribution paid by the employer	571	491
Total	**2,686**	**2,311**

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, constituting 44 people.
There were no redundancy payments to key management members neither in 2014 nor in 2015.

39. Notable events in 2015

The Company's main objectives for 2015 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; to develop a new proprietary CNS product; and to take further steps in the development of biosimilar products.

Following the lines of the "specialty pharma" strategy developed in 2007, in 2015 Richter signed a license and distribution agreement with Bayer HealthCare to commercialize Bayer's transdermal contraceptive patch under the trade name Lisvy® in the EU and some of the Latin-American countries. The product was introduced in a number of European markets in the course of the year. Moreover, Richter purchased exclusive license in Europe for Lenzetto®, the estradiol spray for treating menopause symptoms manufactured by the Australian pharma company Acrux. Lenzetto® has received multiple marketing approvals in several European countries.

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

According to Richter's announcement on 27 February 2012, ESMYA®, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted marketing authorization for the intermittent use of ESMYA® in the long term treatment of uterine fibroids applicable in all countries of the European Union Member States.

On 17 September 2015 Allergan Plc. and Gedeon Richter Plc. announced that the U.S. Food and Drug Administration (FDA) has approved VRAYLAR™ (cariprazine) capsules, an atypical antipsychotic, for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for treatment of schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of VRAYLAR™. Besides its long term positive financial impact this event has an obvious significance in terms of industrial history.

On 21 September 2015 Gedeon Richter Plc. announced that the license and collaboration agreement established with the US based Palatin Technologies, Inc. in September 2014, to co-develop and commercialize bremelanotide for female sexual dysfunction (FSD) indications in the European Union, other European countries and additional selected countries was terminated under mutually agreed terms fully releasing the parties from any and all legal and financial claims or obligations (Note 12).

In December 2015 it was announced that the European Medicines Agency (EMA) had accepted Richter's regulatory submission for its proposed biosimilar to Amgen's Neulasta (pegfilgrastim). Earlier, in August 2015 Richter and Stada Arzneimittel AG signed a license and distribution agreement to commercialize the new biosimilar product. According to the agreement Stada will have non-exclusive rights to distribute the product in geographical Europe (excluding Russia), and Richter retains its right to distribution in any country of the world.

In 2015 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing its investments. Driven by the goal to adapt to Russian economic policy favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

40. Events after the date of the balance sheet

On 4 January 2016 Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for the proposed biosimilar to Eli Lilly's Forteo (teriparatide). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. According to the relevant license agreements, biosimilar teriparatide is expected to be launched under both Richter-Helm BioTec GmbH & Co. and Stada labels in geographical Europe following the patent expiry of the original product.

In December 2010 Richter announced the foundation of Gedeon Richter Rxmidas Joint Venture Co. Ltd. with an initial equity share of 50%. On 22 January 2016 it was announced that Richter acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in the joint venture company. Consequently, with its 100% holding Richter will be in full charge of its contraceptive and OTC business in China.
Total consideration paid in cash was EUR 15.6 million. There was no arrangement for contingent consideration. Since the business combination is incomplete by the time the financial statements are authorised for issue no new asset was identified because of above mentioned reasons the value of goodwill cannot be measured properly.
Acquisition-related costs (mainly legal advice) of approximately HUF 6 million will be charged to Administrative and general expenses in the Consolidated Income Statement for the year 2016. Other financial terms of the agreement are not disclosed.

On 10 March 2016 Mr Péter Szijjártó, Minister of Foreign Affairs and Trade announced on a press conference that the Government would provide approximately HUF 5 billion state subsidy in accordance with EKD programme.
This government grant relates to capital expenditure program of Richter - worth HUF 15 billion - to expand its capacities of biosimilar development and manufacturing in Debrecen.

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

41. Approval of financial statements

Current consolidated financial statements have been approved by the Board of Directors and authorised for release at 23 March 2016.

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 RICHER PLC.

CONFIDENTIAL

Consolidated BUSINESS REPORT 2015

Erik Bogsch
Managing Director

Budapest, 23 March 2016

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1. General data

1.1 Brief History of Richter Group

The parent company

Chemical Works of Gedeon Richter Plc. (hereinafter Richter or Gedeon Richter Plc. or the Company). 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: 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. After World War II the Company was nationalized and while it continued operating as a share company, the sole shareholder was the Hungarian State. In June 1950, while maintaining Gedeon Richter Ltd. in terms of corporate law, the State established Richter Gyógyszer és Vegyészeti Gyár Nemzeti Vállalat (Richter National Pharmaceutical and Chemical Company), which later became known as Kőbányai Gyógyszerárugyár (Kőbánya Pharmaceutical Factory). It existed alongside Gedeon Richter Ltd. without affecting its operation.

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

Privatization

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

Commencing in 1994, the privatization process continued in the fourth quarter of 1995, enlarging the Company's basis of domestic and international investors.
In 1997 another 2,600,000 shares owned by the State Privatization and Holding Company (ÁPV Rt.) were offered to institutional investors in the context of a private placement, and 200,000 shares were sold to domestic private investors in the context of a public offering.
The Extraordinary General Meeting approved a HUF 1,000 million capital increase to HUF 18,637,486,000 by the issuance of 1,000,000 new shares. As a result of these transactions the State's share in Richter was reduced to 25%.

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

Major acquisitions to promote the expansion of the Company
Through the establishment of greenfield investments from the mid-1990s the parent company has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998) and Poland (2002). The Company acquired a biotechnology firm in Germany (2007), then a gynaecological development company in Switzerland (2010).

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

With its place of business in Geneva, PregLem is a company established in 2006 for the purpose of research, development and clinical trials of proprietary products for special gynaecological indications (uterine myoma, endometriosis, infertility) that have reached the clinical stage. Of its active product lines, the leading product is Esmya with ulipristal acetate as active ingredient. According to Richter's announcement on 27 February 2012, Esmya had been granted marketing authorisation valid for all EU member states for its first indication (pre-operative treatment of uterine myoma) and was launched in most markets in the course of the year.

In 2014 in an extraordinary announcement Richter announced that the European Commission had granted marketing authorization for the use of Esmya for up to two courses of preoperative treatment of uterine fibroid (extension of the first indication). In keeping with its strategy, in June 2014 Richter signed a license and distribution agreement to commercialize ulipristal acetate in Latin America.

In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted approval for the intermittent use of Esmya in the long term treatment of uterine fibroids in May 2015. The marketing authorization is applicable in all countries of the European Economic Area.

The gynaecological portfolio acquired from Grünenthal AG contains seven brands. Their main sales areas are the major Western European countries but sales are also aimed at

Central and Eastern Europe and have also been launched in the Middle East. Sales of the brands in the Russian market started in Q4 of 2012.

In Q1 of 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. The company will be active in the promotion and marketing of prescription drugs. With this move Richter has strengthened its presence in the Chinese market. To expand its scope of business Richter bought out its partner's 50% holding in the joint venture in January 2016 as a result of which the Company now has full control of distribution of oral contraceptives on the OTC line in China.

In the second half of 2013 Richter started to expand in the Central and South American region by founding a company in Colombia as a first step, followed by acquisitions in Brazil and Mexico. In May 2014 an agreement was signed for the acquisition of a majority stake in Mediplus N.V. registered in Curaçao, Mediplus is a marketing company covering Ecuador, Peru, Chile and Bolivia through its subsidiaries and also sells products to Central American and Caribbean countries. The acquisition process was concluded in October 2015 and resulted in Richter's holding 100% of the voting right 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 gynaecological portfolio is given a prominent role in every market.

Major consolidated companies and related changes in the Group

a. Pharmaceutical production segment

Pharmaceutical companies

The Group's Romanian manufacturing subsidiary, **Gedeon Richter Romania S. A.** manufactures and distributes finished products for the Romanian market and is also

actively involved in Group sourcing of manufacturing, product development and marketing services.

The distribution companies in the Romanian pharmaceutical market are still faced with prolonged liquidity problems and massive delays in payments by the National Health Insurance Funds. The difficulties of the Romanian pharma market have prevailed for several years; the list of subsidized products was reviewed after six years but most of the products launched at the end of 2014 have not yet been subsidized for administrative reasons. Due to the government's regulations to reduce prices, mounting competition and continuously increasing allowances the company is faced with great challenges, therefore its domestic turnover declined yet again year-on-year. On the other hand, Group level turnover increased, including the Romanian retail segment.

The company's operating profit is positive due also to the fact that the claw-back tax was considerably lower in Q3 and Q4; however, the claw-back tax payment continues to be a significant burden on the subsidiary and greatly deteriorates the profitability of subsidized products as well.

In 2015 CAPEX projects deployed by the Romanian subsidiary relied primarily on the company's strategic projects supporting its role within the Group. Mention should be made of the commissioning of a new production line in the solutions unit of the Galenic Formulations Plant in order to optimize batch sizes and increase capacities.

In the framework of the estradiol MDTS investment and technology transfer project, the first batch to be marketed was manufactured in 2015. The new Microbiology Laboratory was also constructed.

In 2015 the parent company increased the capital of its Romanian production company by RON 10 million cash which was used by its wholesale and retail companies to finance, through the holding company Armedica Trading S.R.L., the loans provided by the parent company. Gedeon Richter Romania S.A. continues to hold an indirect majority share in the wholesale and retail network.

Richter's Polish production subsidiary, **Gedeon Richter Polska Sp. z o. o.** is also responsible for Richter Group's registration, pharmacovigilance and PR activities in Poland. The restructuring and efficiency enhancement measures implemented in the framework of the Lichtenberg project concluded in 2015 gave rise to an undertaking with a stable background, a clear-cut organisational structure and a consolidated staff of 452.

The efficiency of the company is continuously improving. The subsidiary offering outsourced production and development services has grown to be a strategically highly important site for the Group. Efficient support by the Polish marketing subsidiary contributed to the substantial increase in the commercialization of proprietary products in 2015.

In the 2015 business year the company's sales income exceeded expectations and was 10% above the reference year figure despite the keen competition characterizing the Polish market. Total income from sales was PLN 222 million due primarily to outstandingly high Groprinosin sales.

The 2015 performance of Richter's Russian manufacturing company, **ZAO Gedeon Richter-RUS** continued to be strongly affected by the negative impacts of the Ukraine-Russia conflict on the Russian economy. It is difficult to make projections as to the company's performance because of the volatile environment. Nevertheless the company managed to increase its euro-denominated sales income despite the considerable weakening of the rouble.

The company's main function will continue to be production and distribution supported by the parent company's marketing activity. It launched an increasing number of proprietary products in the market and, based on the parent company's orders, expanded its portfolio by adding products manufactured to other markets focusing mainly on CIS countries.

The company financed its 2015 capital expenditure from its own resources which were supplemented by converting liabilities to the parent company to long term loans.

In 2015 **Richter Themis Ltd.** continued to be active as a manufacturer and distributor of intermediate products and APIs (Active pharmaceutical ingredient) mostly for Group members. There were only minor changes in the portfolio of products compared to the reference year; the company managed to make up for the products dropped from the portfolio by adding new APIs, thus its production capacities were fully utilized throughout the year. In addition, it also supplied a considerable amount of products to external buyers. In addition to API production the company is also active in development. Production and development are economical, so the company enhances the cost effectiveness of the Group's API production.

In biotechnology services **Richter-Helm BioLogics** GmbH & Co.'s turnover in 2015 was above the reference year figure and achieved sales exceeding forecasts. The microbial biotechnology company is engaged partly in sourced development and partly in production; intra-Group development is a significant aspect of its activity but its external relations are also expanding. In October 2014 the company was granted an FDA approval, which boosted 2015 sales income from the USA market (EUR 3.6 million). The company's profitability has improved considerably over the past years and closed its business year with substantial earnings.

In 2015 **PregLem S.A.** continued to support the European marketing of Esmya, the gynaecological product with ulipristal acetate as its active ingredient. In addition, R&D continues to be a key activity for the company with the development of Esmya's indications being top priority.

As a result of the volatile situation and high exposure in Ukraine decision has been taken to discontinue the project related to **GRUA P.A.T.**'s production facilities so far out of operation. The decision was made after the planning had been concluded and the requisite permits and licenses acquired. The company is in possession of valid implementation documentation approved by the relevant authorities; the initial period of validity is two years and can normally be extended.

Other consolidated companies providing sales and marketing services for the pharmaceutical segment:

In 2011 the scope of activities of the subsidiaries **Gedeon Richter Iberica S.A.U.** of Spain, **Gedeon Richter Italia S.R.L.** of Italy and **Gedeon Richter Pharma GmbH** of Germany was expanded by marketing. Besides marketing and PR services these companies are also engaged in so-called pre-distribution activities. In 2015 the companies continued to develop the network of gynaecological pharma representatives in Western Europe and to maintain its efficiency on a continuous basis. With the addition of the strategic product Esmya sales of the portfolio steadily increased throughout the reported year.

To promote marketing Richter established a subsidiary each in Switzerland (**Gedeon Richter (Schweiz) AG**), Portugal (**Gedeon Richter Portugal, Unipessoal Lda.**) and Austria (**Gedeon Richter Austria GmbH**). In 2012 Richter expanded in Belgium, the Netherlands and Luxemburg (**Gedeon Richter Benelux SPRL**) as well as in the Nordic countries (**Gedeon Richter Nordics AB**), and involved its already existing British and French companies (**Gedeon Richter UK Ltd.** and **Gedeon Richter France S. A R. l.**) in the network. The portfolio of the network developed in the course of 2015 continued to expand by other gynaecological products and in some countries by the strategic product Esmya.

In the case of **Gedeon Richter Marketing Polska Sp. z o.o.** 2015 was the first full year after the efficiency enhancing restructuring implemented. Restructuring resulted in stable turnover, reduced costs and significantly improved per capita performance. By utilizing its available resources more efficiently the company continued to carry out successful marketing in the territory of Poland for both of its shareholders, Gedeon Richter Plc. and Gedeon Richter Polska Sp. z o.o.

After transforming its Polish agency into a subsidiary, the parent company decided to make a similar move in 2010 in the Czech Republic and Slovakia, and transformed its agents into **Gedeon Richter Marketing ČR s.r.o.** and **Gedeon Richter Slovakia s.r.o.** respectively. Richter also established **Gedeon Richter Slovenija, trženje, d.o.o.**, its subsidiary in Slovenia at the end of 2011. This was followed by the establishment, at the end of 2013, of a Croatian subsidiary **Gedeon Richter Croatia d.o.o**. The Czech, Slovak, Slovenian and Croatian companies support the sales of Richter products through marketing and PR and by operating efficient networks of representatives. The companies operate on a basis of invoicing costs plus margin, which ensures cost coverage and stable liquidity on a continuous basis.

In 2015 **Gedeon Richter (China) Pharmaceuticals Co. Ltd.** again delivered the expected results despite the widely varied sales performance of the promoted products. Future expansion of the portfolio is highly needed and recent developments in China in respect of expediting the approval process for registration give cause for optimism. In January 2016 the group undertaking selling and marketing the OTC products was fully bought out.

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2015 in both technical and financial terms.

The Kazakh economy was hit hard by the drastic drop of the price of oil, its number one export product. As a result of the continued downward slide of oil prices the exchange rate of the Kazakh national currency, the tenge fell to a historical low in 2015. On 20 August 2015 the National Bank of Kazakhstan decided to float the KZT, which meant the lifting of the margins. Introduced in July, invoicing in tenge was intended to offset currency conversion related exchange rate losses incurred by Richter Group's exclusive Kazakh importer, **Gedeon Richter KZ L.L.P.**

The core business of **Richter-Helm BioTec GmbH & Co. KG** has been project management and business development in the field of microbial biotechnology over the past years, focusing on Group projects as well as external business development. The 2015 performance of the company was in keeping with expectations.

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

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

Latin-America

As a first step of expansion in Central and South America started in the second half of 2013, the parent company established a company in Colombia named **Gedeon Richter Colombia S.A.S.**, with the main function to provide marketing and registration related services for the introduction of Richter's products in the region. Securing the necessary registrations and authorizations started in 2015.

In 2015 in Mexico Richter holds an 80% voting right in **Gedeon Richter Mexico SAPI de CV.**. Sales by the Mexican company were even and balanced in the course of 2015; its income from sales was up to expectations and showed an upward trend month by month

compared to the reference year. Securing the regulatory authorizations required for registration is in process. Gradual devaluation of the Mexican peso dampens the otherwise successful company's performance.

Richter has a 51% share in the Brazilian company **Gedeon Richter do Brasil Importadora Exportadora e Distribuidora SA** which continued its marketing and registration related activities in 2015 in addition to commercialization of the existing portfolio of products. In the course of 2015 shareholders of the Brazilian company carried out a capital increase of BRL 1,319,670 in order to tackle financial problems stemming from volatile sales.

In May 2014 Richter signed an acquisition agreement in respect of **Mediplus N.V.**, which resulted in holdings in Curaçao, Bolivia, Chile, Peru and Ecuador and strengthens Richter's penetration in Latin America. In 2015 Richter became the sole shareholder of Mediplus Group. Simultaneously with the acquisition expansion of the portfolio of Richter's products sold in the region continued.

b. Wholesale and retail

Romania

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

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

The Group's wholesale company in Romania is **Pharmafarm S.A.** In 2015 the company changed its trading policy, and as a result it closed the year with a substantial increase in sales income as well as margin. The company maintained its cost containment and its strong and balanced customer management, inventories and sourcing policies. All these measures resulted in lower allowance on customers and a positive operating profit. As a result of improving cooperation Pharmafarm S.A. is becoming increasingly important as Gedeon Richter Farmacia S.A.'s supplier.

Gedeon Richter Farmacia S.A. is the Romanian group's retail company. In an effort to improve efficiency by streamlining GRFA S.A.'s portfolio some pharmacy licenses were sold. In December 2015 the retail chain consisted of 91 functioning pharmacies. In keeping with the reduced number of retail units the company's 2015 income was below the reference year figure. There are still loss generating pharmacies, therefore in 2015 further impairment was reported on the licences of pharmacies owned by Gedeon Richter Farmacia S.A.

Ukraine and the CIS

The only activity of **Gedeon Richter Ukrfarm O.O.O.**, Richter's fully owned Ukrainian subsidiary is to operate the Kiev headquarters owned by Gedeon Richter Group.

In the Moldovan pharmaceutical market the presence of Hungarian pharma companies has become a dominant feature as Richter has secured outstanding market shares for years. Thanks to Richter's Moldovan agency and the excellent and successful cooperation of the retail and wholesale companies, customers' needs in Moldova are fully met. Sales of Richter's products are efficiently supported by **Richpangalfarma S.R.L.**, a key player in the pharmaceutical wholesale market since 1996 in which Richter holds a 65% stake. As regulations relating to storage and warehousing of pharmaceutical products had been tightened in Moldova the company secured an official license and pursues its activities in accordance with GDP (Good Documentation Practice) rules and statutory provisions and with ongoing quality control. On 18 February 2015 a capital increase was entered in the register of companies.

On 1st October 2015 the amended bill on margins entered into effect in Moldova; accordingly, five price categories were introduced and a ceiling on the margin was imposed on trading companies. Having established a wider group of loyal customers, with its network of 40 outlets **GR–Retea Farmaceutica S.R.L.** closed the year with a reliable and solid performance.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved a significant performance in 2015. The wholesale subsidiary **Richter-Lambron O.O.O.** made a successful appearance in the market of third-party products. As a result, it expanded its network of suppliers and customers and its figures achieved considerable

growth. This contributed to the company's further reinforcement of its position among the top players in the market.

The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 25 pharmacies by the end of 2015 and continued to increase sales and earnings. It promotes the parent company's market share.

The performance of the two wholesale companies operating in Jamaica (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in a steadily improving turnover. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2015. On the negative side, successful operation is hampered by the devaluation of the Jamaican dollar against the U.S. dollar.

There was no change in the domestic wholesale share: the parent company continues to be a shareholder of the biggest pharmaceutical distributor in Hungary.
As a result of steps taken in previous years to enhance efficiency, **Hungaropharma Zrt.** continued to improve its earnings in 2015. Richter directly holds 30.68% of the company's shares.

c. Other consolidated companies segment

There has been no change in the profiles of the other consolidated companies of Richter Group (engineering, real estate management, quality control, transportation, etc.); they provided continuous support fully in line with expectations and with good performance throughout 2015. Operation of these affiliated undertakings is focused predominantly to Hungary.
Richter's undertakings in this segment with foreign sites continue to be dormant.
The management's decision, at the end of 2014, on the transfer of the investment management business of **Richter Gedeon Befektetéskezelő Kft.** to Richter was carried out in 2015.

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

With its global business comprising five continents, Richter Group is unique among the Central Eastern European pharma companies as its primary activities of the research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. The Group's manufacturing subsidiaries, which operate in our traditional markets, together with our specialized marketing network have created the foundation for a strong regional multinational Group. As a result of developments that started in the early 1990s today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.

In response to the economic crisis in Russia, in the late 1990s the parent company has re-tailored its long-term strategic goals and has been aiming at strengthening its regional-multinational activities, maintaining stable positions in its traditional markets on the one hand, and strengthening its presence in the EU and the United States with proprietary and generic products, and has sought to build long-term co-operations in supplying active pharmaceutical ingredients. The primary focus of the Group is on the expansion of the gynaecological business and an increase in generic sales, the latter in preparation for upcoming patent expirations. In the United States the Group concluded long-term supply contracts with manufacturers specialized in gynaecological products.

Following the lines of the "speciality pharma" strategy developed in 2007, development, manufacture and sale of pharmaceutical products with high value added has become Richter's priority strategic goal. This goal is served by R&D projects conducted in connection with the central nervous system and in the field of biotechnology, and also by the ongoing development and expansion through acquisitions of the gynaecological portfolio.

Implementation of the above strategy resulted in a significant increase of sales income also in the EU markets. Income from sales increased likewise in the countries that have been Richter's traditional markets and joined the EU after 2004. The latter trend is particularly significant as drug subsidies in the new accession countries are generally

underfinanced, which led the Group to reduce the price of some of its products. The 2014 Ukraine crisis and the massive devaluation of the rouble curbed the dynamic growth of the pharmaceutical market that had characterised the CIS region in recent years and resulted in plummeting sales revenues mainly in Russia and Ukraine. As a result of the new sales scheme the Group strengthened its position in the Western European and Chinese markets and due to acquisitions, also in the Central and South American region. The combined impact was the rising contribution of exports to total sales, achieving 90% in 2015 too.

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

After years of perpetual uncertainties and repeated cuts since 2006, the Hungarian pharmaceutical market was characterised by relative stability in 2015. The surtaxes affecting the pharmaceutical industry were offset up to 90% by the tax benefits the Company was granted on account of its R&D activities. While the semi-annual blind bidding process introduced in 2011 designed to force the pharma companies to cut their prices resulted in a loss of HUF 35-40 million in 2015, the Company was able to compensate for it by introducing new products and efficient marketing.

1.2 Main objectives for 2015

The Group's main objectives for 2015 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; further development of cooperation between Group companies; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; to develop a new proprietary CNS (Central Nervous System) product; and to take further steps in the development of biosimilar products.

In 2015 significant advancement was achieved in the following areas:

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

- On 17 September 2015 Richter and Allergan were pleased to announce that FDA granted Allergan marketing authorization of cariprazine for the treatment of manic or mixed episodes of bipolar I disorder and schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of Vraylar™. Besides its long term positive financial impact this event has an obvious significance in terms of industrial history.

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted marketing authorization for the intermittent use of Esmya in the long term treatment of uterine fibroids applicable in all countries of the European Union Member States.

- Following the lines of the "specialty pharma" strategy developed in 2007, in 2015 Richter signed a license and distribution agreement with Bayer HealthCare to commercialize Bayer's transdermal contraceptive patch under the trade name Lisvy in the EU and some of the Latin-American countries. The product was introduced in a number of European markets in the course of the year. Moreover, Richter purchased exclusive license in Europe for Lenzetto, the estradiol spray for treating menopause symptoms manufactured by the Australian pharma company Acrux. Lenzetto has received multiple marketing approvals in European countries.

- In December 2015 it was announced that the European Medicines Agency (EMA) had accepted Richter's regulatory submission for its proposed biosimilar to Amgen's Neulasta (pegfilgrastim). Earlier, in August 2015 Richter and Stada Arzneimittel AG signed a

license and distribution agreement to commercialize the new biosimilar product. According to the agreement Stada will have non-exclusive rights to distribute the product in geographical Europe (excluding Russia), and Richter retains its right to distribution in any country of the world.

In September 2014 Richter and Palatin Technologies, Inc. announced that they entered into a collaboration and license agreement to co-develop and commercialize bremelanotide for female sexual dysfunction indications in the European Union, other European countries and additional selected countries. Under the terms of the agreement, Palatin was entitled to a total upfront payment of USD 9.9 million and an additional USD 3.3 million once Phase III clinical trials started. In September 2015 Richter announced termination of the collaboration agreement by the parties' mutual consent. Richter deemed that further clinical trials would have been necessary for the development, which, however, presented an excessively high risk over a successful outcome of the project.

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

In 2015 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing with its investments. Driven by the goal to adapt to Russian economic policy favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

1.3 Share structure of Gedeon Richter Plc.

At the Annual General Meeting held on 25 April 2013 the shareholders resolved to transform the Company's registered ordinary shares by splitting the nominal value in a ten-to-one ratio. Accordingly, the Company's 18,637,486 shares each with a nominal

value of HUF 1,000 were replaced by 186,374,860 shares, each with a nominal value of HUF 100 in the course of 2013.

As of 1 January 2015 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 2015.

As regards ownership structure, as of 31 December 2015, 68.00% of shares were held by foreign institutional and private investors, the Hungarian State held 25.25%, and Hungarian institutional and private investors held a total of 6.09%. Treasury shares together with 811,655 shares owned by subsidiaries amounted to 0.44%; the rate of other ownership was 0.22%.

The closing price of shares as of 30 December 2015 was HUF 5,498 compared to HUF 3,535 as of 30 December 2014. Average monthly share prices in 2015 moved between the minimum of HUF 3,563 per share (in January) and the maximum of HUF 5,410 per share (in December).

1.4 Treasury shares held by the Group

Parent company	Ordinary shares	
	31.12.2014	31.12.2015
Shares	3,699	101,371
Nominal value HUF`000	370	10,137
Book value HUF`000	12,743	549,820

In June 2015 Gedeon Richter Plc. bought 100,000 ordinary shares from its fully owned subsidiary Nedermed B.V., and on 26 November 2015, 550,000 ordinary shares from its affiliated undertaking Richter Gedeon Befektetéskezelő Kft., thus the number of Richter shares held by subsidiaries was 710,284 as of 31 December 2015.

Following the decision of the Board of Directors 750,295 ordinary shares were granted as a bonus to employees whose outstanding performance contributed to Richter's earnings for the year.

In keeping with the programme approved by the National Tax and Customs Administration of Hungary (NAV) related to employee share bonuses the Company granted 350,694 Treasury shares to 4,356 employees on 16 December 2015.

1.5 Corporate governance

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

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

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

No change was made regarding the composition of the Board of Directors at the AGM held on 28 April 2015.

On 20 May 2015 the Management announced that Sándor Kováts had passed away. Endre Pokomándi was appointed to the position. His employment was terminated on 19 October 2015. CEO Erik Bogsch supervises the Company's commercial activities until the appointment of a new director.

1.6 Branch (parent company)

The sites of Gedeon Richter Plc. are as follows:

27 Esztergomi út, H-2510 Dorog

20 Medvefű utca, H-4031 Debrecen

1.7 Other information

In 2007 the Company commenced construction of a new plant in Debrecen to develop and manufacture biotechnology products, and announced its involvement of tax benefit with the contents set out in the relevant Government Decree. The investment that meets the condition in Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company made use of the tax credit related to the investment project in the 2012 and 2013 business years. The unexpected economic troubles of 2014 (Ukraine crisis, devaluation of the rouble) had a negative impact on the Company's finances, therefore in 2014 it did not utilise the development related tax credit. Portion of the outstanding tax credit facility was again used in 2015.

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

2. The Group's 2015 operating review

2.1 The balance sheet as of 31 December 2015

ASSETS

The Group's assets amounted to HUF 749,194 million, HUF 29,137 million (4.0%) higher than the opening value. Fixed assets were up by HUF 10,451 million, and current assets by HUF 18,686 million.

Fixed assets

Non-current assets amounted to HUF 435,794 million in the reported period, HUF 10,451 million (or 2.5%) up from the reference figure. The HUF 5,797 million (or 3.4%) growth of Property, plant and equipment is attributed primarily to the development of the new state-of-the-art freeze-drying unit and the injectables packaging plant. The HUF 3,802 million (or 6.2%) increase in Goodwill results from revaluation of the goodwill accounted in respect of the previously announced acquisitions. The HUF 1,753 million (or 1.1%) decrease of intangible assets was due mainly to the termination of the collaboration and license agreement relating to bremelanotide, the conclusion of the PregLem PGL1 project, and the revaluation of the intangible asset Esmya as of the balance sheet date.

Current assets

Current assets were 6.3% or HUF 18,686 million above the reference figure of HUF 294,714 million. Increase of the line item Cash and cash equivalents should be highlighted specifically (HUF +34,434 million or +35.2%) with the one-off milestone income from Allergan (Forest Laboratories) related to the marketing authorization of cariprazine being the main contributor. The effect was tempered by the aggregate EUR 46 million repayments of the Club loan and of the European Investment Bank loan, as well as the payment of the last portion of the deferred purchase price of the PregLem acquisition (milestone payment made). The HUF 16,903 million (or 81.0%) decrease in the Securities item was caused by the redemption of government bonds held to maturity.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders ' equity

In 2015 shareholders' equity was HUF 620,589 million, or 10.5%, higher compared to the 31 December 2014 figure.

Liabilities

The Group's total liabilities amount to HUF 128,605 million.

Non-current liabilities were HUF 56,872 million, HUF 8,985 million below the 31 December 2014 figure. Liabilities are reduced by a EUR 21 million loan portfolio the parent company reclassified as current liabilities. The combined value of Other long-term liabilities and Accrued and deferred liabilities is HUF 2,239 million less year-on-year due mainly to reclassification of the deferred Chinese acquisition price as a liability due and payable within one year.

Current liabilities amounted to HUF 71,733 million as of 31 December 2015, 22.4% short of the 31 December 2014 figure, primarily as a result of the reclassification of the items described above and payment of the last portion of the deferred purchase price of the PregLem acquisition.

2.2 The 2015 income statement

The Group's profit for 2015 is HUF 54,545 million, 117.9%, or HUF 29,511 million, higher year-on-year. The Russia-Ukraine crisis that started in 2014 and the massive devaluation of the rouble resulted in plummeting sales revenues in Russia and Ukraine; however, this was offset to a large extent by rising sales in the EU15 countries, the United States and China, as well as by the strengthening of the dollar and the yuan against the forint and the euro. The outstanding growth was mainly the result of the significant one-off milestone income (in conjunction with the FDA's approval of cariprazine), as well as lessening Sales and Marketing and R&D costs.

Richter Group's activity can be classified into three operating segments. The Pharmaceutical Production segment includes the companies that are involved in the Group's core business, i.e. research, development and production of pharmaceutical

products; it also includes the distribution and marketing companies that are directly involved in the sales and promotion of products. The wholesale and retail segment includes the performance of distribution companies and pharmacies that are part of the sales network in the various regional markets and, as such, convey our products to consumers. The third operating segment (Other segment) presents all the other consolidated companies that provide services in support of the production members of the Group, and are also engaged in non-pharmaceutical activities.

	Pharmaceutical Production segment		Wholesale and Retail Trade segment		Other segment		Eliminations		**Group total**	
	2014 HUF million	2015 HUF million	2014 HUF million	2015 HUF million	2014 HUF million	2015 HUF million	2014 HUF million	2015 HUF million	**2014 HUF million**	**2015 HUF million**
Total sales	305,149	308,910	55,410	63,691	4,544	4,602	(11,394)	(11,383)	**353,709**	**365,220**
Gross profit	206,958	213,020	6,351	7,776	884	911	(134)	(248)	**214,059**	**221,459**
Operating profit	39,503	66,998	(1,718)	893	111	(98)	(149)	(261)	**37,747**	**67,532**
Share of profit of associates	(359)	228	1,240	1,308	(13)	4	(40)	(38)	**828**	**1,502**
Closing headcounts	9,801	9,649	1,481	1,443	320	339	-	-	**11,602**	**11,431**

2.2.1 Income from sales

Income from the pharmaceutical production segment

Region	2014 HUF million	2015 HUF million	Variance	
			HUF million	%
Hungary	31,971	34,038	2,067	6.5
Export				
CIS	125,759	111,964	-13,795	-11.0
EU *	99,169	107,378	8,209	8.3
USA	16,072	18,103	2,031	12.6
China	13,612	16,849	3,237	23.8
Latin America	5,786	5,997	211	3.6
Other countries	12,780	14,581	1,801	14.1
Export total	273,178	274,872	1,694	0.6
Total	*305,149*	*308,910*	*3,761*	*1.2*

* Excluding Hungary

The 2015 net income from sales **totalled** HUF 308,910 million, HUF 3,761 million in excess of the 2014 reference figure.

Income from the 2015 pharmaceutical production segment's sales was 6.5% higher compared to the reference year. Export in HUF was 0.6% up; and in EUR, 0.3% up year-on-year.

There were substantial changes in the breakdown of export by regions compared to the reference year: after a decrease of five percentage points the CIS markets continue to retain the biggest share (36%). The EU states' share increased by two percentage points and contributed 35%. The contribution of Hungary, the United States and the Other Countries region was 11%, 6% and 5% respectively. China's turnover contributed 5% in 2015 and grew one percentage point year-on-year. Latin America's share from sales was 2% in both the reference and the reported period.

Based on the 2015 year-end figures, the pharmaceutical production segment realized HUF 34,038 million sales **in the Hungarian market**, 6.5% (or HUF 2,067 million) above the 2014 figure.

Turnover increased primarily as a result of rising sales of Esmya, Klion, Tanydon and Tanydon HCT and Scippa, reduced by falling sales income from Aktil, Aflamin and oral contraceptives. In 2015 oral contraceptives were the leading item in terms of sales contributing 9.3% to sales income.

In 2015 no significant changes took place in terms of price regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee was reintroduced as of 15 February 2009 and cost Richter HUF 162 million in 2014 and HUF 219 million in 2015.

With this performance Richter's market share was 5.3% in 2015, 0.1% below the reference year's figure. Richter ranked second place in the prescription drugs market with a share of 7.4%.

The pharmaceutical production segment's income from **export** increased from HUF 273,178 million (EUR 884.9 million) in 2014 to HUF 274,872 million (EUR 887.6 million) in 2015.

Russia continues to be the leading market of the **CIS region** and also of the Company, with turnover denominated in EUR 5.9% below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro. As regards driver products, sales of Mertenil, Quamatel, Mydocalm, Cavinton, Airtal, Verospiron and Normodipine plummeted, offset by rising sales of oral contraceptives, Pananagin, Pregabalin-Richter, Diroton, Singlon and Arduan.
Sales in Ukraine dropped by EUR 28.4 million compared to 2014 resulting in a 51.6% fall in sales income. In Ukraine, lagging Groprinosin, Verospiron and oral contraceptives sales resulted in falling turnover. Richter has introduced a more stringent receivables management policy and has reduced shipments to Ukraine since the beginning of 2014 because of volatile political and economic environment. As regards other CIS states, the turnover of the markets in Kazakhstan, Turkmenistan and Belarus expanded but other markets in the regions experienced a setback.

The total turnover achieved in the CIS market was HUF 111,964 million, 41% of total export. Year-on-year decrease was 11.0% (HUF 13,795 million). Expressed in Forex, the turnover was EUR 361.6 million with an 11.2% decrease year-on-year (y/y).

Sales in the **European Union** totalled HUF 107,378 million, 8.3% above the 2014 figure. The region's contribution to exports grew to 39%. Expressed in Forex, the increase amounted to EUR 346.7 million with a 7.9% increase y/y.

The turnover realized in the pharmaceutical markets of the EU15 region was HUF 52,753 million (EUR 170.3 million), 15.0% (in EUR, 14.6%) above the reference year figure. Owing to the efficient promotion efforts of the Western European network of pharmaceutical representatives the Company's strategic product Esmya realised a significant sales increase, which greatly contributed to the increase in the EU15 region.
On the other hand, the CEE Member States decreased their contribution to total sales in the EU region to approximately 51% in 2015 with a 2.2% increase in sales income in euro. The increase is attributed primarily to the performance of Groprinosin, Levosert and Protevasc in Poland, worsened by Avonex declining sales income in the Baltic States due to the expiry of the license agreement related to Avonex.

The turnover realised in the **United States of America** was up by 12.6% (HUF 2,031 million), or expressed in dollar, down by 6.5% (USD 4.5 million). Rising sales of the

Plan B contraceptive branded One Step and of Spironolactone could not compensate for the drop of the income under the profit sharing agreement and the decline in Prosterid turnover denominated in dollar.

Turnover in the **Chinese market** was HUF 16,849 million (EUR 54.4 million) with a y/y increase of HUF 3,237 million (or EUR 10.3 million). Increasing sales income generated by Cavinton should be particularly noted. The price difference compensation due to the strengthening of the yuan against the euro agreed on retrospectively is reported in the Sales income, and the exchange rate compensation is reported in the Other incomes.

Sales in the **Latin American countries** were up by 3.6% in forint and down by 13.7% expressed in dollar. The sales increase is attributed mainly to oral contraceptives. The contribution of this region to total export was 2%.

In the category of **Other Countries**, oral contraceptives were the leading products. In the Other Countries region the turnover was HUF 14,581 million (EUR 47.1 million). Compared to 2014, turnover was 14.1% higher (in Forex, 13.8% higher). The contribution of this region to total export was 5%.

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

Finished products contributed approximately 93% to the 2015 sales revenues. The contribution of APIs was 3%.

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

2014				2015			
Rank Rank		Sales HUF million	Share %	Rank Rank		Sales HUF million	Share %
1	Oral contraceptives	86,340	28.3	1	Oral contraceptives	90,680	29.3
2	Cavinton/vinpocetine	24,180	7.9	2	Cavinton/vinpocetine	26,567	8.6
3	Mydeton/tolperisone	18,239	6.0	3	Mydeton/tolperisone	17,086	5.5
4	Verospiron/ /spironolactone	14,102	4.6	4	Esmya /ulipristal acetate	15,406	5.0
5	Panangin/asparaginates /enalapril, lisinopril	13,631	4.5	5	Panangin/asparaginates /enalapril, lisinopril	15,084	4.9
6	ACE inhibitors /enalapril, lisinopril	11,656	3.8	6	Verospiron/ /spironolactone	12,012	3.9
7	Esmya /ulipristal acetate	10,377	3.4	7	ACE inhibitors /enalapril, lisinopril	11,128	3.6
8	Lisonorm /lisinopril, amlodipine	8,777	2.9	8	Lisonorm /lisinopril, amlodipine	8,556	2.8
9	Aflamin/aceclofenac	7,928	2.6	9	Aflamin/aceclofenac	7,042	2.3
10	Quamatel/famotidine	7,481	2.4	10	Quamatel/famotidine	6,757	2.2
	Total	202,711	66.4		Total	210,318	68.1
	Net income from sales	*305,149*	*100.0*		*Net income from sales*	*308,910*	*100.0*

The contribution of the ten leading product categories to total sales was 68.1%, 1.7 percentage points higher than the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 90.7 billion, 5.0% higher than in 2014. The increase was mainly the effect of the rising turnover of the emergency contraceptive Escapelle. The growth was contributed primarily by the American markets. The contribution of this product category to the 2015 total turnover was 29.3%, 1.0 percentage points above the reference year. The second most important product is proprietary Cavinton with 9.9% higher turnover compared to the reference year (rising sales income in China). Despite declining sales (mainly in Russia and Ukraine) Mydeton retained its third place. Esmya finished an outstanding 4th with a 48.5% year-

on-year increase in sales income. The increase in turnover is due primarily to an increase in sales income in the Italian, French, Spanish and British markets. With continuously growing (Russian) sales Panangin is again 5th in the table. In the wake of declining sales in Ukraine and Russia Verospiron lost two places and finished 6th. ACE inhibitors slipped back a place as a result of dropping sales in Ukraine and Vietnam. Lisonorm, Aflamin (decline in Russia), and Quamatel (decline in Ukraine and Russia) retained their respective 8th, 9th and 10th place.

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

In 2015 the Pharmaceutical Production segment's ten leading markets were as follows:

		2015	
		HUF million	EUR million
1.	Russia	79,781	257.7
2	Hungary	34,038	109.9
3	Poland	21,577	69.7
4	Germany	19,818	64.0
5	United States of America	18,103	58.5
6	China	16,756	54.1
7	Romania	8,898	28.7
8	Ukraine	8,235	26.6
9	Kazakhstan	7,638	24.6
10	Czech Republic	7,396	23.9
	Total	222,240	717.7
	Net income from sales	*308,910*	*997.5*

The ten leading countries jointly contributed 71.9% to Richter Group's total pharmaceutical sales. Despite significantly declining sales Russia continues to be the leading market. Hungary kept its second place. With a substantial increase in sales income (Groprinosin) Poland advanced a place and Germany slipped one (4th). The United States, China and Romania each advanced one place compared to the previous year. Currently ranked 8th, Ukraine's turnover fell drastically in the reported period and as a result the country lost three places. Kazakhstan and the Czech Republic swapped places in the table.

Turnover of the wholesale and retail segment

	2014 HUF million	2015 HUF million	Variance HUF million	Variance %
Hungary	132	133	1	0.8
Export				
CIS	12,883	13,143	260	2.0
EU *	39,105	46,353	7,248	18.5
USA	-	-	-	-
China	-	-	-	-
Latin America	3,290	4,062	772	23.5
Other countries	-	-	-	-
Export total	55,278	63,558	8,280	15.0
Total	*55,410*	*63,691*	*8,281*	*14.9*

* Excluding Hungary

Based on the year-end figures for 2015 the Wholesale and Retail segment realized HUF 63,691 million (EUR 205.7 million) income from sales, HUF 8,281 million (or 14.9%) above the 2014 figure.

The most significant portion of income generated by this segment was contributed by the Romanian pharmaceutical wholesale company (Pharmapharm S.A.) and Gedeon Richter Farmacia S.A. network of pharmacies. Sales in Romania increased by 18.5% in HUF terms. The driver of the growth was the wholesale company's outstanding sales to third parties in the second half. While delays in payments to pharmacies eased, the Romanian pharmaceutical market is still characterized by massive delays in paying outstanding dues to pharma companies.

The rise in the Romanian region was slightly boosted by the performance of the wholesale and retail networks in the CIS (Moldova and Armenia).

Among the leading products of Wholesale and Retail, income from the sales of Fasconal, oral contraceptives, Groprinosin and Kalmopyrin increased.

Turnover of the other segment

	2014	2015	Variance	
	HUF million	HUF million	HUF million	%
Hungary	4,339	4,457	118	2.7
Export				
CIS	110	99	-11	-10.0
EU *	23	46	23	100.0
USA	72	-	-72	-100.0
China	-	-	-	-
Latin America	-	-	-	-
Other Countries	-	-	-	-
Export total	205	145	-60	-29.3
Total	*4,544*	*4,602*	*58*	*1.3*

* Excluding Hungary

The turnover of the Other segment was 1.3% up in HUF, 1.4% down in EUR, and 15.8% down in USD compared to the 2014 reference year figures. The increase is explained by the Hungarian service companies' rising turnover realized with third parties.

2.2.2 *Costs of sales; operating profit*

Costs of sales amounted to HUF 143,761 million, HUF 4,111 million more than the figures achieved in 2014. Costs of sales included HUF 2,929 million depreciation reported in conjunction with the European sales of Esmya as an intangible asset.

Gross profit from sales was HUF 221,459 million, 3.5% above the reference year's figure. The **gross margin** was up from 60.5% in the reference year to 60.6% in 2015. The improvement of the portfolio of products (increasing proportion of gynaecological products), rising sales in the EU15, the United States (in euro and in forint) and in China, coupled with the strengthening of the dollar and the yuan against the forint and the euro upped the margin, which however was offset by the increasing sharp downturn in sales income in Ukraine, the devaluation of the rouble against the forint and the euro, and the rapid growth of low margin wholesale and retail revenues in the second half.

Within the operating costs item **cost of sales and marketing** amounted to HUF 99,310 million in 2015, 3.4% lower year-on-year. Sales and marketing costs were 26.9% of sales revenues in the period of reporting. The drop in the cost of sales resulted from the fact that rising marketing costs in Russia, Ukraine and Poland were contained (accompanied by downsizing the sales network staff in all three countries), and that the impact of the continued devaluation of the rouble and the hryvnia surpassed the growing marketing costs in the EU15 region and China.

Depreciation of marketing and brand related rights of the contraceptives acquired from Grünenthal added HUF 4,427 million to the level of costs and constituted 1.2% of total sales.

In 2015 **administrative and other operating costs** amounted to HUF 19,397 million, 1.3% in excess of the 2014 figure.

The rate of **R&D expenditure** to sales incomes was 9.5% in the reported year and amounted to HUF 34,822 million, 20.3% under the reference year figure. The costs are partly imputable to biotechnology studies, and partly to the clinical trials in progress, conducted jointly with Allergan (Forest Laboratories). The research expenditure of the subsidiaries PregLem, Gedeon Richter Polska and Gedeon Richter Romania also contributed to the Group's R&D costs. In the second half of 2015 R&D expenditures dropped significantly because the launch of additional clinical trials related to cariprazine was shifted to 2016.

The balance of **other income and expenses** increased from HUF 11,271 million expenses in the reference year to HUF 1,398 million expenses in 2015. In the reported period Richter received a significant one-off milestone payment in conjunction with the marketing authorization of Vraylar™ (cariprazine) in the United States, and also milestone payments from Stada related to the development of biosimilar products. No such payments were received in the reference period. The Other income was increased in the amount of HUF 1,648 million of the exchange rate compensation related to Chinese sales agreed on retrospectively.

The 20% tax payable in Hungary on the full-year subsidy calculated on the producer prices of subsidized products under the Drug Economy Act amounted to HUF 192 million in 2015.

Under the so-called claw-back taxation system in Romania the amount of dues is set by the Romanian authorities based on the return from sales of subsidized products and comparing it to the support envisioned in the budget. In 2015 Richter Group's production companies accounted for RON 14.1 million taxes.

The 2015 Other income and expenses line item included HUF 3,724 million claw-back payments in Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria and Latvia.

In the reported period the last portion of the deferred purchase price of the PregLem acquisition was paid (CHF 60 million). HUF 786 million was accounted for as change in the likelihood of payment of the deferred portion, and HUF 2,421 million other expenditure was reported as a consequence of increasing liabilities relating to the deferred purchase price of the Chinese and Hong Kong transactions.
Other expenses also include the impairment of licenses and receivables reported at closing.

The 2015 *operating profit* was 78.9% higher than the reference year figure and amounted to HUF 67,532 million. This significant increase is attributed to an increasing margin, one-off significant milestone incomes (approval of cariprazine by the FDA, milestone payments received from Stada in conjunction with biosimilar product development), and lessening Sales and marketing and R&D costs.

2.2.3 Other income statement items

Net financial income

In 2015 net financial income was a loss of HUF 8,307 million as a result of a HUF 4,473 million improvement over the HUF 12,780 million loss reported in 2014.

At year-end Forex assets and liabilities were reassessed and reported under Unrealized financial items. The balance of revaluation was HUF 6,006 million financial loss in the reported year, HUF 7,172 million less than the HUF 13,178 million loss in 2014. The Russian rouble and the Kazakh tenge were considerably devalued in H2 of 2015 and resulted in exchange rate loss on mainly the Russian and Kazakh receivables, which was

offset only to a lesser extent by the strengthening of the dollar. The Company reported HUF 573 million financial expenditure in conjunction with the change in the time value of the deferred purchase prices payment liabilities as opposed to HUF 1,853 million in 2014.

The 2015 loss on Realized financial items originates from receivables and payables (HUF 2,867 million) and the exchange rate gain (HUF 1,062 million) reduced by net income from interest (HUF 1,481 million).

	2014 HUF million	2015 HUF million	Variance HUF million
Unrealised financial items	**(14,749)**	**(6,568)**	**8,181**
Reassessment of currency related trade receivables and trade payables	(10,865)	(5,984)	4,881
Reassessment of currency loans given	2,529	1,360	-1,169
Reassessment of borrowings	(3,296)	243	3,539
Reassessment of other currency related items	(1,546)	(1,625)	-79
Liabilities from deferred purchase price, time value change	(1,853)	(573)	1,280
Unrealised forward contracts as of 1 January	288	(6)	-294
Unrealised forward currency related contracts as of the balance date	(6)	17	23
Realised financial items	**1,969**	**(1,739)**	**-3,708**
Result of forward exchange contracts	(225)	621	846
Exchange losses/gains realised on trade receivables and trade payables	(2,029)	(2,867)	-838
Foreign exchange difference on conversion of cash	2,199	(1,062)	-3,261
Dividends	325	1	-324
Interest received	3,222	2,641	-581
Interest paid	(1,373)	(1,160)	213
Other	(150)	87	237
Net financial income	**(12,780)**	**(8,307)**	**4,473**

Closing rates applied in revaluation:

	31.12.2014	31.03.2015	30.06.2015	30.09.2015	31.12.2015
EURHUF	314.89	299.14	315.04	313.32	313.12
USDHUF	259.13	278.94	282.75	279.05	286.63
RUBHUF	4.45	4.83	5.07	4.26	3.88
CHFHUF	261.85	286.12	303.51	286.62	289.38

Profit before taxes

The 2015 profit before taxes amounted to HUF 60,727 million, HUF 34,932 million higher than in 2014.

As of 1 January 2012 Gedeon Richter Plc.'s 100% corporate tax holiday ceased. Henceforth the parent company pays taxes in accordance with the general Hungarian provisions on taxation; however, it is entitled to write off the direct costs of R&D from its taxable income. Furthermore, the parent company utilized the development related tax allowance in conjunction with the Debrecen biosimilar plant investment in 2013. The unexpected economic troubles of 2014 (Ukraine crisis, devaluation of the rouble) had a negative impact on the Company's finances, therefore in 2014 it did not utilise the development related tax credit. The outstanding tax credit facility was again used in 2015. Other Group companies are taxed in accordance with the general taxation regulations of their domicile.

Profit after taxes

Profit after taxes was HUF 54,545 million in the reported period, HUF 29,511 million above the 2014 Group profit.

After a HUF 29,327 million increase, after-tax profit of the parent company's shareholders was HUF 54,277 million by 31 December 2015, and was 14.9% of the sales revenues as opposed to 7.1% in the reference period.

3. Functional activities of the Group

3.1 Research and development

Innovation and the research of proprietary drug molecules have been key elements in the parent company's strategy since its foundation in 1901. Gedeon Richter Plc., the only Hungarian-based pharma company with R&D staff exceeding 1000, is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology, and generic research and development.

The parent company's small molecular R&D is focused on gynaecological products on the one hand, and molecules effective in treating CNS diseases on the other hand. Besides cariprazine one project is at the stage and the rest are in the early stages of research.

On 19 November 2012 Actavis Plc. (previously Forest Laboratories) submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for the indications of schizophrenia and bipolar disorder. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency recognized the efficacy of cariprazine but required further information and data. In January 2015 Richter and Actavis announced that the FDA acknowledged receipt of the resubmitted New Drug Application (NDA). There were ongoing parallel clinical studies in the course of 2015 to expand the indications and to penetrate the European and Japanese markets. On 17 September 2015 the FDA granted approval of cariprazine for the treatment of manic or mixed episodes of bipolar I disorder and schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of Vraylar™. The clinical trials are in process with Richter's American partner Allergan (formerly Forest Laboratories, Inc.) as a result of which the product will hopefully be granted marketing authorization for the treatment of other diseases such as major and bipolar depression.

As on of the world's leading manufacturers of steroid products, Richter has been traditionally strong in the gynaecological market. As a result of the acquisition of the Swiss company PregLem S.A. in 2010 the Group has also been active in gynaecological development primarily in the field of uterine fibroid indications. According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem S.A., a company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids. At the end of 2013 the EMA adopted a positive opinion regarding the use of Esmya to up to two courses of treatment. As a result, marketing authorization of the product extended for this indication was granted in January 2014. In May 2015 EMA extended marketing authorisation for its indication in the long term treatment of uterine fibroids. The extension is an opportunity for long term medication in the treatment of uterine fibroids and possibly helps to avoid surgical intervention.

In 2004 Richter launched its recombinant biotechnology R&D by creating a biotechnology research laboratory. In Germany Richter and Helm AG, Richter jointly acquired the predecessor Richter-Helm BioLogics GmbH & Co. KG in 2007, which develops and manufactures pharmaceuticals based on proteins derived by microbial biotechnology processes. Started in 2007, the construction of the Debrecen plant creating capacities for mammalian cell biotechnology based pharmaceutical manufacturing was concluded, the related assets were capitalized. Trial runs commenced in 2012, followed by production for clinical trials in 2014; thus, the most complex protein-based pharmaceuticals can be manufactured on a commercial scale. In the course of 2015 the last clinical trials of two biotechnology products, pegfilgrastim and teriparatide were successfully concluded and in the autumn regulatory applications for marketing authorization for both products were submitted to EMA. Once authorization is granted, commercialization may start in 2017. Currently other biotechnology projects have reached the clinical trials stage.

As has been the case so far, the Group considers it essential to identify R&D partners for cooperation. We join forces with academic and university institutes as well as the Finnish firm Orion in the early stages of our research activities. Other partners from the pharmaceutical industry are involved primarily in the clinical phases. In this respect of R&D, partnerships with the Japanese Mitsubishi-Tanabe Pharmaceuticals and with Forest Laboratories (today Allergan) of the United States continue to make a considerable contribution to effective research activity aimed at new molecules. Development and distribution of biotechnology products is supported in Europe by Stada, and in Japan by Mochida in the context of cooperation agreements. In an effort to strengthen our gynaecological portfolio Richter has signed development collaboration agreements with several companies. In September 2015 Richter and the American Palatin Technologies, Inc. terminated by mutual consent the collaboration agreement executed in 2014 to co-develop and commercialize bremelanotide. Richter Group intends to expand the scope of collaboration in the coming years.

Richter Group's 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.

In order to initiate the European registration procedure for cariprazine relapse prevention had to be verified, and special trials were conducted to prove the product's efficacy in patient populations displaying predominantly negative symptoms. In both cases the clinical studies were concluded with a positive result and compilation of the regulatory submission for European registration was started in 2015.

The parent company launched twelve proprietary products and six licensed products in 2015, all of which are new in the markets they are intended to be launched. The two most prominent licensed proprietary products are Lisvy, a transdermal contraceptive patch, and Lenzetto, the estradiol spray for treating menopause symptoms, both of which were launched in numerous EU Member States during 2015.

At the close of 2015 Richter had over 49 generic developments and 16 licence topics in progress. In the course of the year Richter had 45 licence renewals and maintenance projects; furthermore, support of original, biotechnology and transfer projects stayed at the reference year's level (20 projects in total). As biotechnology and proprietary development projects are conducted predominantly at the parent company, development sites of the subsidiaries have been appreciated as regards generic R&D (Gedeon Richter Romania S.A., Gedeon Richter Polska Sp. z o.o.). These companies undertake over a quarter of the generic R&D projects.

As a result of registration activities a total of 178 marketing authorizations were granted to Richter in 2015 in the EU, including Hungary (taking different dosage forms into consideration) with Lisvy and Lenzetto being of outstanding importance. Following substantial preparations regulatory submission of biosimilar teriparatide and pegfilgrastim was a major task. In both cases centralized procedures were initiated according to plans. In this region 181 renewal applications were submitted, 152 were acquired by the Company, and 152 licenses were returned.

A total of 66 new authorizations and 305 renewal applications were submitted in the twelve CIS countries. Richter secured 36 new authorizations during the year.

In the Other Countries the Company submitted 72 new applications and 40 renewals in 2015. In the course of the year the Company secured 20 new authorizations and 42 renewals, and returned 17 licenses.

3.2 Quality assurance

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

In 2015 the main direction of the quality assurance effort was the continued upgrading of production processes in accordance with the current Good Manufacturing Practice cGMP (API and finished products), and quality assurance support to a number of ongoing investment projects (the Debrecen biotechnology project and the Dorog Steroid Plant).

Ensuring compliance with the Good Laboratory Practice (GLP) and IT GXP, as well as supporting quality management of the subsidiaries continues to be a priority task. In 2015 special emphasis was laid on enhancement of the quality assurance system focussed on the upgrading of production processes and improving their transparency, as well as on further development of the IT system, which is expected to start running in the first half of 2016.

Similarly to previous years, Group companies had regular inspections by the locally competent authorities in 2015; in addition, the partners conducted 18, and the authorities another 5 inspections at the parent company.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: measured in terms of packaging units, the output of plants manufacturing solid

drugs, which weigh more heavily in the portfolio of products, and semi-finished product plants was respectively 2.6% lower than the reference year level for the Group as a whole.

The volume of finished products by packaging units manufactured by the subsidiaries grew at the Romanian subsidiary and dropped at the Polish subsidiary. The Russian subsidiary's increasing volume of production is the result of technology transfers and expanding production capacities.

Exploitation of capacities at the Indian subsidiary manufacturing APIs and intermediate products slightly worsened because of discontinuation or suspension of some minor manufacturing processes while those constituting the bulk of the production were maintained without change.

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

3.4 Technology

In recent years Richter has developed a new procurement management system and separated special procurement tasks from the professional activities of the various managements. In the new structure all machines, equipment, technological materials and general devices as well as some of the services are sourced centrally. The same applies to utilities such as natural gas, electricity and steam supply, as well as waste disposal. Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2015. In certain areas of sourcing the parent company and its subsidiaries cooperated successfully.

Environmental protection, occupational health and safety

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

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

The 2015 audits of the parent company's Environmental Management System (KIR-ISO 14001) and the Occupational Safety and Health Management System (MEBIR-MSZ 28001) by the supervisory agencies, as well as the certification of the Safety and Environmental Labs were successful and proved that internal audits, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules.

In keeping with the commitment undertaken in the context of Corporate Social Responsibility, the trial run of the Environmental Management Systems started in Debrecen in 2015.

Environmental and security related expenditure were at the 2014 level in the reported period.

On 27 August 2015 a container exploded in the area of the Cooling Plant at the parent company injuring two external workers, one of them seriously. The financial damage was not significant. In the wake of the findings of the internal investigation of the incident procedures were modified and measures have been taken to prevent similar events in the future. Besides the above incident there were no technology related fatal, serious or mass accidents in the course of the year of reporting, no notable deficiencies were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an ongoing basis.

The Sustainability Report (2012-2013) issued in 2015 contains environmental information on foreign subsidiaries for the first time.

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

3.5 IT support

The Group's business processes were captured in the SAP system. SAP tracks every step of the process from sourcing to sales and provides interfaces to other special systems supporting operation. Over the past years, major Group level IT development took place primarily in order to achieve the most important strategic goal of creating a central IT

architecture that controls and supervises Richter Group's IT systems and is suitable for communicating Group level strategy and control and serving operation.
IT infrastructure development has been in keeping with Group-level needs; the emerging IT background is a uniform and transparent system for Group users. A dynamic VPN network created between Group companies overarching the Internet network provides access to distant systems including via audio and video connection as necessary.

Similarly to the previous year, major Group level IT development took place in 2015, the most important achievements and events were as follows:

- A priority project for Richter in 2015 was the introduction of the latest version of SAP BW. In this context the entire authorization system has been revamped.

- In 2015 the SAP system was introduced at the Romanian retail company, Gedeon Richter Farmacia S.A.

- The IT support to Quality Assurance which commenced in 2014 continued with several projects in progress.

- This year further development and upgrading to later versions of existing systems took place in several areas (research, finance).

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

4. Human resource

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

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

As of 31 December 2015 the Group's closing headcount was 11,431, 7,615 of whom work in white-collar positions including 6,503 university or college graduates. The closing headcount of the parent company was 6,628 at the same time.

5. Capital expenditure

The Group's capital expenditure and intangible assets amounted to HUF 33,302 million (EUR 107.5 million) in 2015 as opposed to HUF 43,234 million (EUR 140.0 million) in 2014. Capital expenditure was dominated by the projects deployed by the parent company.

In addition to the ongoing development of the software controlling and monitoring the manufacturing process in the Debrecen Biotechnology Plant established to produce the APIs of strategic products based on biotechnology procedures some minor supplementary investments.

In the field of traditional finished products manufacturing, project RGK VI was continued at the Group's Budapest production site; it envisions a greenfield development of a new, state-of-the-art freeze-drying unit, an injectables packaging plant, as well as high rack warehouses ancillary to these new facilities, and land for development purposes. In the field of API manufacturing, capex projects were basically aimed at maintaining production capacities in both Budapest and Dorog. In Dorog a very important, multi-year project is in progress in the Steroid Plant II to expand intermediate product and chromatography capacities.

Environmental and safety projects included the upgrading of the wastewater system in Dorog, the hazardous waste disposal facility in Debrecen, as well as energetics projects to upgrade central systems in order to improve safe energy supply.

Major capex projects of the subsidiaries included expenditures on production companies. The Russian subsidiary completed Stage 2 of expansion and reconstruction of the production area (modernization of the existing production area, installation of a system to monitor the temperature and humidity of the storage area).

At the Romanian subsidiary the ground floor production area was upgraded, which included the relocation of the microbiology laboratory. Procurement of machines and equipment of the EU-supported research and development project was concluded.

6. Risk management

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

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

Strategic risks

Risk	Description	Key risk management methods
Macroeconomic Factors	The impact of changes in macroeconomic factors affecting the Company's markets with special regard to the deterioration of solvency due to the Russia-Ukraine crisis and falling oil prices	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Tightening cost management and customer relations - Flexible utilisation of local production capacities
Competition and Pricing	The impact on the Company's market position and results of the decreasing prices resulting from mounting generic competition	- Identifying competitive advantages - Focusing on new proprietary and value added products - Launching new generic products - Regularly performed industry and competitor assessment and effectiveness analysis
Healthcare Budget	Potential impact of negative changes in the healthcare budget and regulation (price cuts, subsidy cuts and protracted procedure to accept subsidy applications)	- Regular analysis of market environment, monitoring changes in the legal and pharmaceutical subsidy system - Communication with authorities - Cost management adaptation

Operational risks

Risk	Description	Key risk management methods
Original and biosimilar R&D	Risk attached to the success of proprietary research and of the development and manufacturing of biosimilar products	- Focusing original research on CNS and gynaecology lines - Determining milestones of original research and biosimilar development - Assessment of programs and decision-making according to international standards with the involvement of advisory bodies and international experts - Involvement of collaborating partners to reduce risk and ensure co-financing
The complexity of the Group's activities is increasing, more diversified markets	Risks related to the development of specialized sales and marketing support network of gynaecological products in Western Europe, China and Latin America	- Company-level projects for the acquired gynaecological portfolio and the coordination of the launch of Esmya - Strengthening market positions and the marketing network in Western Europe - Developing the Company's own marketing network in Latin America - Increasing stakes in Chinese and Latin American holdings
Qualified workforce	Risk relating to retention of employees in key positions and ensuring qualified workforce	- Periodic revision of HR strategy - Training plans, career and succession programs - Incentive and performance assessment system - Determination of optimal headcount - Staff replacement to improve quality; retention of staff performing high-quality work

Compliance risks

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

Financial risks

Risk	Description	Key risk management methods
Credit and Collections	Risk relating to collection of cash and receivables from customers Region-specific risks related to customers	- Customer rating - Establishing payment terms and credit limits - Regular review of receivables - Insurance of CIS customers' credits with MEHIB
Foreign Exchange Rate	Exchange rates of priority currencies Exchange rate risk management in the changing currency structure	- Calculating annual open FX positions and monitoring key FX rates - Natural hedging through FX loans - Forward currency transactions only in exceptional cases
Capital Structure, Cash Management and Financial Investment	Risk related to the management of the Company's cash needs and cash funds Maintaining security of funding besides acquisition expenditure	- Developing and monitoring cash-flow plans - Financial Investment Rules to manage investment risk - Introduction of a Cash Pool system

7. Post-balance sheet date events

On 4 January 2016 Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for the proposed biosimilar to Eli Lilly's Forteo (teriparatide). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. According to the relevant license agreements, biosimilar teriparatide is expected to be launched under both Richter-Helm BioTec GmbH & Co. and Stada labels in geographical Europe following the patent expiry of the original product.

On 18 January 2016 Richter announced that Dr. Csaba Polacsek resigned from his membership in the Company's Board of Directors due to a conflict of interest consequent to a change in his employment position.

In December 2010 Richter announced the foundation of Gedeon Richter Rxmidas Joint Venture Co. Ltd. with an initial equity share of 50%. On 22 January 2016 it was announced that Richter acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in the joint venture company. Consequently, with its 100% holding Richter will be in full charge of its contraceptive and OTC business in China.

On 10 March 2016 Mr Péter Szijjártó, Minister of Foreign Affairs and Trade announced on a press conference that the Government would provide approximately HUF 5 billion state subsidy in accordance with EKD programme. This government grant relates to capital expenditure program of Richter - worth HUF 15 billion - to expand its capacities of biosimilar development and manufacturing in Debrecen.

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

8. Future outlook

Retaining and strengthening the Group's position in the Hungarian and the traditional markets (CIS, Central and Eastern Europe) despite increasingly difficult environment

whose problems fall hard on the entire pharmaceutical industry (price erosion, tightening subsidies and price control) continue to feature among the Group's strategic goals.

In an attempt to offset the dire consequences of the Russia-Ukraine political crisis going back to 2014, the devaluation of the rouble and other CIS currencies, and to slipping Ukrainian pharmaceutical market the Group introduced cost-cutting measures that had an impact on all areas of Group operation.

The Group focuses on strengthening its presence in, and stepping up exports to, European Union, primarily in the EU15, and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development collaboration 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 the Group's sales networks. In Western Europe the strategy is implemented by means of our own marketing network, and in the United States through long-term agreements concluded with strategic partners. Through a variety of acquisitions Richter is striving to secure direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region).

The success of proprietary research and development aimed at CNS products is crucial for Richter Group's future and for strengthening its market positions. The second pillar of the specialty strategy in the expansion of the gynaecological portfolio. The future added value from the gynaecological portfolio purchased in 2010 from Grünenthal, coupled with Esmya resulting from the Swiss acquisition will boost the Group's niche: gynaecology, which is best supported by the units operating in the traditional markets and the newly established Western European sales network. The Group's ongoing objective is to achieve faster growth in its special niche of oral contraceptives and steroid-based gynaecological products than total sales growth resulting in a greater contribution to annual turnover. As of 2012 the line was completed with Richter's proprietary product Esmya.

The third pillar of the Group's specialty strategy is the development of biosimilar products and the high-value investment to create the conditions for their manufacture.

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

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

2.

Report of the statutory Auditor on the draft Consolidated Report

pwc

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gedeon Richter Plc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gedeon Richter Plc. and its subsidiaries (together "the Group") which comprise the consolidated balance sheet as of 31 December 2015 (in which the balance sheet total is MHUF 749,194), the consolidated income statement, the consolidated statement of comprehensive income (in which the total comprehensive income for the year is MHUF 63,200), the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

pwc

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Gedeon Richter Plc. and its subsidiaries as of 31 December 2015, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other reporting requirements regarding the consolidated business report

We have examined the accompanying consolidated business report of Gedeon Richter Plc. and its subsidiaries (together "the Group") for the financial year of 2015.

Management is responsible for the preparation of the consolidated business report which is consistent with the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to assess whether or not the accounting information disclosed in the consolidated business report is consistent with that contained in the consolidated financial statements. Our work in respect of the consolidated business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Group. In our opinion the 2015 consolidated business report is consistent with the disclosures in the consolidated financial statements as of 31 December 2015.

Budapest, 23 March 2016

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

Szabados Szilvia
Statutory auditor
Licence number: 005314

3.

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

The Supervisory Board of
Gedeon Richter Plc.

Report

to the 2016 Annual General Meeting of Gedeon Richter Plc.

on the 2015

Consolidated Annual Financial Statements of Richter Group

The Supervisory Board reviewed the 2015 Consolidated Annual Financial Statements of Richter Group, which had been produced by Gedeon Richter Plc. as parent company. As the Board of Directors regularly presented the quarterly financial reports during the year, the Supervisory Board could gain insight into the interim consolidated financial statements.

In accordance with the International Financial Reporting Standards, the Consolidated Annual Financial Statements consisting of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and consolidated notes to the financial statements contain statements of equity, finances and income generation for the entire Group, including balance sheet figures for Gedeon Richter Plc. and figures for the subsidiaries, companies under joint management and associate companies which constitute the Group, with the elimination of inter-company transactions.

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

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

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

Proposal for the approval of the 2015 Consolidated Annual Financial Statements of Gedeon Richter Plc.

Having reviewed the Consolidated Audited Financial Statements of Richter Group for 2015 prepared by Gedeon Richter Plc. as parent company and submitted to the Annual General Meeting, the analysis and statement of authentication made by the Auditor PricewaterhouseCoopers, and the insight gained during the discussion of the Report, the SB proposes that the distinguished members of the Annual General Meeting approve:

- The Consolidated Annual Financial Statements for 2015 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 749,194 million), duly audited in compliance with the International Accounting Standards.

- The after-tax profit specified in the audited Consolidated Income Statement for 2015 (before dividend payment) being HUF 54,545 million.

Budapest, 23 March 2016

Dr. Attila Chikán
Chairman of the Supervisory Board

4.

Approval of the draft 2015 Consolidated Report

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

Resolution of the Board of Directors No.: 18/2016

The Board of Directors proposes the AGM to approve the 2015 draft consolidated report of the Company.

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

5.

Report of the Board of Directors on the 2015 business activities of the Company (on the management, the Company's financial situation and business policy) and presentation of the draft annual report prepared in accordance with the Accounting Act

Gedeon Richter Plc.

Financial statements

31 December 2015

Budapest, 23 March 2016

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

Statistical number

0	1

Gedeon Richter Plc.

Balance Sheet (Assets)

"A" Type

31 December 2015

Data in HUF Million

	Description	Previous year 31.12.2014 audited	Current year 31.12.2015 audited
A.	Fixed Assets	442 436	457 590
I.	Intangible Assets	110 869	104 990
1.	Capitalised value of reorganization		
2.	Capitalised value of research and development	338	254
3.	Rights	72 791	67 807
4.	Intellectual property	1 233	949
5.	Goodwill	36 507	35 980
6.	Advances given for intangibles		
7.	Adjusted value of intangible assets		
II.	Tangible Assets	131 989	139 748
1.	Land and buildings	83 101	83 974
2.	Technical equipment	22 649	22 727
3.	Other equipment	14 068	14 068
4.	Animals		
5.	Investments	12 070	18 592
6.	Advances given for tangible assets	101	387
7.	Adjusted value of tangible assets		
III.	Financial Investments	199 578	212 852
1.	Long-term shares in subsidiaries	129 058	141 250
2.	Other long-term shares	4 621	4 165
3.	Long-term loans given to subsidiaries	46 596	44 510
4.	Long-term loans given to other affiliates	832	748
5.	Other long-term loans	563	2 014
6.	Long-term bonds	17 908	18 048
7.	Adjusted value of financial investments		
8.	Valuation difference of non-current assets		2 117

Data in HUF Million

	Description	Previous year 31.12.2014 audited	Current year 31.12.2015 audited
B.	Current Assets	261 444	276 758
I.	Inventories	44 889	47 042
1.	Raw materials	9 708	9 153
2.	Work in progress, semi-finished products	22 999	23 327
3.	Live stock		
4.	Finished products	8 834	10 536
5.	Goods	3 343	4 022
6.	Advances given for inventories	5	4
II.	Receivables	116 908	114 891
1.	Trade receivables	39 049	43 148
2.	Receivables due from subsidiaries	64 576	62 768
3.	Receivables due from other affiliates	8 619	5 268
4.	Bills receivable		
5.	Other receivables	4 557	3 703
6.	Valuation difference of receivables		
7.	Positive fair value difference of derivative instruments	107	4
III.	Securities	20 858	4 502
1.	Shares in subsidiaries		
2.	Other shares	2 396	2 426
3.	Own shares	13	550
4.	Short-term bonds	18 449	1 526
5.	Fair value difference of securities		
IV.	Cash	78 789	110 323
1.	Cash	40	43
2.	Bank deposits	78 749	110 280
C.	Prepayments	2 471	2 719
1.	Accured income	957	937
2.	Prepaid expenses	1 514	1 782
3.	Deferred expenses		
	Total Assets	706 351	737 067

Budapest, 23 March 2016

Managing
Director

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

Statistical number

0	1

Gedeon Richter Plc.

Balance Sheet (Equity and Liabilities)

"A" Type

31 December 2015

Data in HUF Million

	Description	Previous year 31.12.2014 audited	Current year 31.12.2015 audited
D.	Shareholder's Equity	570 908	634 395
I.	Issued capital	18 637	18 637
	- including own-shares repurchased at face value	*0*	*10*
II.	Issued unpaid capital (-)		
III.	Share premium	19 256	19 256
IV.	Retained earnings	519 707	532 101
V.	Tied-up reserve	351	804
VI.	Revaluation reserve	0	2 117
1.	Valuation reserve		
2.	Fair value reserve		2 117
VII.	Profit or Loss for the year	12 957	61 480
E.	Provisions	3 339	4 217
1.	Provision for expected liabilities	3 339	4 217
2.	Provision for expected expenses		
3.	Other provisions		
F.	Liabilities	122 743	89 070
I.	Subordinated liabilities	0	0
1.	Subordinated liabilities due to subsidiaries		
2.	Subordinated liabilities due to other affiliates		
3.	Other subordinated liabilities		
II.	Long-term liabilities	52 000	42 225
1.	Long-term loans		
2.	Convertible bonds		
3.	Debts on issue of bonds		
4.	Investment and development loans		
5.	Other long-term loans	43 297	36 531
6.	Long-term liabilities due to subsidiaries		
7.	Long-term liabilities due to other affiliates		
8.	Other long-term liabilities	8 703	5 694

Data in HUF Million

	Description	Previous year 31.12.2014 audited	Current year 31.12.2015 audited
III.	Current liabilities	70 743	46 845
1.	Short-term loans		
	- including: convertible bond		
2.	Other short-term loans	14 432	6 523
3.	Advances received from customers	290	113
4.	Trade payables	16 777	16 399
5.	Bills payable		
6.	Short-term liabilities due to subsidiaries	7 963	14 415
7.	Short-term liabilities due to other affiliates		
8.	Other short-term liabilities	31 168	9 395
9.	Valuation difference of current liabilities		
10.	Negative fair value difference of derivative instruments	113	
G.	Accruals	9 361	9 385
1.	Accrued income		
2.	Accrued expenses	7 379	8 366
3.	Deferred income	1 982	1 019
	Total Liabilities and Equity	706 351	737 067

Budapest, 23 March 2016

Managing
Director

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

Statistical number

0	2

Gedeon Richter Plc.

Income Statement

"A" Type

31 December 2015

Data in HUF Million

	Descriptions	Previous year 12 months audited	Current year 12 months audited
01.	Domestic sales	31 855	33 939
02.	Export sales	251 793	248 157
I.	Total Sales (01+02)	283 648	282 096
03.	Direct cost of production	49 279	48 552
04.	Cost of goods sold	11 427	10 200
05.	Value of services sold	428	827
II.	Direct costs of sales (03+04+05)	61 134	59 579
III.	Gross profit (I-II)	222 514	222 517
06.	Sales and marketing expenses	97 333	95 121
07.	Administration and general expenses	24 717	26 483
08.	Other general expenses	49 526	42 082
IV.	Indirect costs of sales (06+07+08)	171 576	163 686
V.	Other income	7 846	22 999
	including revesal of impairment	*178*	*957*
VI.	Other expenditures	18 820	21 463
	including impairment	*4 076*	*1 830*
A.	Operating results (III-IV+V-VI)	39 964	60 367

Data in HUF Million

	Descriptions	Previous year 12 months audited	Current year 12 months audited
13.	Dividends and profit-sharing (received or due)	1 813	1 002
	including from affiliated undertakings	*1 505*	*1 002*
14.	Capital gains on the sale of investments		7
	including from affiliated undertakings		
15.	Interest income and capital gains on financial investments	2 481	2 601
	including from affiliated undertakings	*1 315*	*1 880*
16.	Other interest and similar income	2 014	1 863
	including from affiliated undertakings		*0*
17.	Other financial income	10 777	15 532
	including from valuation difference	*395*	*117*
VIII.	Income from financial transactions (13+14+15+16+17)	17 085	21 005
18.	Losses on financial investments		
	including to affiliated undertakings		
19.	Interests payable and similar expenses	1 373	1 135
	including to affiliated undertakings	0	8
20.	Losses on shares, securities and bank deposits	8 350	-153
21.	Other financial expenses	27 106	17 446
	including from valuation difference	*113*	*107*
IX.	Expenses on financial transactions (18+19±20+21)	36 829	18 428
B.	Profit or loss from financial transactions (VIII-IX)	-19 744	2 577
C.	Profit or loss of ordinary activities (±A±B)	20 220	62 944
X.	Extraordinary income	129	384
XI.	Extraordinary expenses	1 210	1 081
D.	Extraordinary result (X-XI)	-1 081	-697
E.	Income before taxes (±C±D)	19 139	62 247
XII.	Taxes payable	31	767
F.	Profit after taxes (±E-XII)	19 108	61 480
22.	Profit reserves used for dividends and profit-sharing		
23.	Dividends and profit-sharing paid (payable)	6 151	
G.	Profit or loss for the year (±F+22-23)	12 957	61 480

Budapest, 23 March 2016

Managing Director

GEDEON RICHTER PLC.

Notes to the Financial Statement 2015

Erik Bogsch
Managing Director

Budapest, 23 March 2016

CONTENTS

I. General Section

I/1 Company data

Company name:	**Chemical Works of Gedeon Richter Plc.**
Short name of the Company:	**Gedeon Richter Plc.**
Date of foundation of legal predecessor:	**2 October 1923**
Address of the Company:	**1103 Budapest, Gyömrői út 19-21.**
Sites:	**2510 Dorog, Esztergomi út 27.** **4031 Debrecen, Medvefű utca 20.**
Company website:	**www.richter.hu**
Date of the first Articles of Association:	**24 July 1923**
Date of the effective Articles of Association:	**28 April 2015**
Reference and place of last Company Court registration:	**Cg. 01-10-040944/467 Budapest**
Current registered capital:	**HUF 18,637,486,000**
Principal activity:	**Manufacture of pharmaceutical products**
TEÁOR No.:	**2120**
Duration of the Company:	**indefinite**
Business year:	**corresponding to the calendar year**
Name and address of the auditor company:	**PricewaterhouseCoopers** **Auditing Ltd.** **1055 Budapest, Bajcsy-Zsilinszky út 78.**
The person responsible for the audit is:	**Szilvia Szabados**
Registration number at the Chamber of Hungarian Auditors:	**005314**
Company announcements are published in:	**Company Gazette** **www.richter.hu** **www.bet.hu**
Name of the person authorised to sign on behalf of the Company:	**Erik Bogsch**
Address:	**Budapest**
The person responsible for the management and supervision of the tasks relating to book-keeping is:	**Judit Kozma**
Address:	**Budapest**
Registration number:	**184862**

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

2.1 Preparation of the financial statements

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

Balance sheet date: **31 December 2015**

Balance sheet preparation date: **30 January 2016**

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

2.2 Selected form of the balance sheet and the income statement

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

2.3 Valuation procedures

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

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

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

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

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

2.3.1 Fixed assets

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

2.3.2 Current assets

Inventories

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

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

Content of direct manufacturing costs:

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

2.3.3 Measurement of equity and liabilities

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

2.4 Accounting for impairment

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

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

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

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

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

Review of domestic receivables

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

detailed analyses of the individual customers attached. The recommendation is approved by the Deputy Chief Executive Officer.

Review of export receivables

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

2.5 Depreciation method

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

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

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

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

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

Tangible assets below an individual historical cost of HUF 100,000 are immediately recognised as depreciation on capitalisation.

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

2.6 Margins of material and minor errors

Material errors

Errors referring to the reported year identified in the course of audits or self-audits and which necessitate the preparation of a three-column statement shall be considered material if the aggregate impact of such errors in the year in which the errors were disclosed result in any changes (increases or decreases) in earnings or shareholders' equity in excess of 2% of the audited business year's balance sheet total.

Minor errors

Errors shall be considered minor if their aggregate impact in the year in which the errors were disclosed result in any changes (increases or decreases) in earnings or shareholders' equity not exceeding the margin of material errors.

2.7 Accounting policy

In 2015 the Company didn't modify its accounting policy.

2.8 Tax audit

In 2014 a full-fledged tax audit of the business years 2011 and 2012 was conducted at the Company. The minutes were received on 16 December 2014, the decision was delivered before the closure of the annual report. After reviewing the decision the Company resolved to appeal against the fine and late payment penalty. The Company created provisions from the 2014 earnings in the amount specified in the authority's decision to provide coverage for the future liability.

The second instance decision dated 11 May 2015 reduced the tax penalty imposed by the first instance decision. Upon settlement of this liability the Company removed the provision created for the purpose.

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

2.9 Audit fees

The Company signed a contract with PricewaterhouseCoopers Auditing Ltd to perform the financial audit in respect of 2015. The annual fee due to this activity amounts to HUF 19 million + VAT.

I/3 Evaluation of the 2015 activities

Expressed in HUF million, the reference figures used for evaluating the 2015 business of Gedeon Richter Plc. are taken from the 2014 audited annual report as approved by the General Meeting.

3.1 Main objectives for 2015

The Company's main objectives for 2015 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; to develop a new proprietary CNS (Central Nervous System) product; and to take further steps in the development of biosimilar products.

In 2015 significant advancement was achieved in the following areas:

- Sales revenues ascended significantly in the EU, in particular the EU15 member states, as well as in the U.S. and the Chinese markets.

- On 17 September 2015 Richter and Allergan were pleased to announce that FDA granted Allergan marketing authorization of cariprazine for the treatment of manic or mixed episodes of bipolar I disorder and schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of Vraylar™. Besides its long term positive financial impact this event has an obvious significance in terms of industrial history.

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted marketing authorization for the intermittent use of Esmya in the long term treatment of uterine fibroids applicable in all countries of the European Union Member States.

-Following the lines of the "specialty pharma" strategy developed in 2007, in 2015 Richter signed a license and distribution agreement with Bayer HealthCare to commercialize Bayer's transdermal contraceptive patch under the trade name Lisvy in the EU and some of the Latin-American countries. The product was introduced in a number of European markets in the course of the year. Moreover, Richter purchased exclusive license in Europe for Lenzetto, the estradiol spray for treating menopause symptoms manufactured by the Australian pharma company Acrux. Lenzetto has received multiple marketing approvals in several European countries.

- In December 2015 it was announced that the European Medicines Agency (EMA) had accepted Richter's regulatory submission for its proposed biosimilar to Amgen's Neulasta (pegfilgrastim). Earlier, in August 2015 Richter and Stada Arzneimittel AG signed a license and distribution agreement to commercialize the new biosimilar product. According to the agreement Stada will have non-exclusive rights to distribute the

product in geographical Europe (excluding Russia), and Richter retains its right to distribution in any country of the world.

- In September 2014 Richter and Palatin Technologies, Inc. announced that they entered into a collaboration and license agreement to co-develop and commercialize bremelanotide for female sexual dysfunction indications in the European Union, other European countries and additional selected countries. Under the terms of the agreement, Palatin was entitled to a total upfront payment of USD 9.9 million and an additional USD 3.3 million once Phase III clinical trials started. In September 2015 Richter announced termination of the collaboration agreement by the parties' mutual consent. Richter deemed that further clinical trials would have been necessary for the development, which, however, presented an excessively high risk over a successful outcome of the project.

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

- In 2015 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing its investments. Driven by the goal to adapt to Russian economic policy favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

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

In an attempt to offset the dire consequences of the Russia-Ukraine political crisis going back to 2014, the devaluation of the rouble and other CIS currencies, and to slipping Ukrainian pharmaceutical market the Company introduces cost-cutting measures that will affect all areas of operation.

The Company focuses on strengthening its presence in, and stepping up exports to, European Union, primarily in the EU15, and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development collaboration 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 striving to secure direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region).

The success of proprietary research and development aimed at CNS products is crucial for Richter's future and for strengthening its market positions. The second pillar of the specialty strategy in the expansion of the

gynaecological portfolio. The future added value from the gynaecological portfolio purchased in 2010 from Grünenthal, coupled with Esmya resulting from the Swiss acquisition will boost the Group's niche: gynaecology, which is best supported by the units operating in the traditional markets and the newly established Western European sales network. The Company's ongoing objective is to achieve faster growth in its special niche of oral contraceptives and steroid-based gynaecological products than total sales growth resulting in a greater contribution to annual turnover. As of 2012 the line was completed with Richter's proprietary product Esmya.

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

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

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

3.2. Post balance sheet date events

On 4 January 2016 Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for the proposed biosimilar to Eli Lilly's Forteo (teriparatide). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. According to the relevant license agreements, biosimilar teriparatide is expected to be launched under both Richter-Helm BioTec GmbH & Co. and Stada labels in geographical Europe following the patent expiry of the original product.

On 18 January 2016 Richter announced that Dr. Csaba Polacsek resigned from his membership in the Company's Board of Directors due to a conflict of interest consequent to a change in his employment position.

In December 2010 Richter announced the foundation of Gedeon Richter Rxmidas Joint Venture Co. Ltd. with an initial equity share of 50%. On 22 January 2016 it was announced that Richter acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in the joint venture company. Consequently, with its 100% holding Richter will be in full charge of its contraceptive and OTC business in China.

On 10 March 2016 Mr Péter Szijjártó, Minister of Foreign Affairs and Trade announced on a press conference that the Government would provide approximately HUF 5 billion state subsidy in accordance with EKD programme. This government grant relates to capital expenditure program of Richter - worth HUF 15 billion - to expand its capacities of biosimilar development and manufacturing in Debrecen.

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

3.3 Revenue by geographical segment

	2014	2015	Variance	
	MHUF	MHUF	MHUF	%
Hungary	31,855	33,939	2,084	6.5
Export				
CIS	122,562	109,275	-13,287	-10.8
EU *	87,395	91,983	4,588	5.2
USA	12,238	13,472	1,234	10.1
China	13,176	16,518	3,342	25.4
Latin America	4,296	3,749	-547	-12.7
Other countries	12,126	13,160	1,034	8.5
Export total	251,793	248,157	-3,636	-1.4
Total	**283,648**	**282,096**	**-1,552**	**-0.5**

* Excluding Hungary

Income from the 2015 domestic sales was 6.5 % up compared to the reference year. Export in HUF was 1.4% and in EUR, 1.7% down year-on-year.

Changes in the breakdown of export by regions in the reported year: the largest contributor continues to be the CIS, albeit with a smaller share (38.7%) than in the reference year. The EU States increased 1.8 percentage points and contributed 32.6%. The contribution of China rose by 1.2 percentage points respectively (5.9%). Latin American sales contributed 1.3% to total income from sales. The contribution of the United States and Other countries sales rose by 0.5 and 0.4 percentage points respectively (4.8% and 4.7%). The domestic sales increased by 0.8 percentage points respectively (12.0%).

Based on the year-end figures for 2015 the Company realized HUF 33,939 million income from sales in the **domestic market**, 6.5% (HUF 2,084 million) more than in 2014. With this performance the Company's market share was 5.3% in 2015, 0.1 percentage points below the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

The main drivers of the increase were the mounting sales of Esmya, Kilon, Tanydon, Tanydon HCT, Scippa, Quamatel, Xeter and Kalmopyrin, attenuated by lagging sales return from Aktil, Aflamin and the Oral contraceptives. In 2015 oral contraceptives were the leading item in terms of sales contributing 9.3% to sales income.

In 2014 no significant changes took place in terms of price regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee cost Richter HUF 162 million in 2014 and HUF 219 million in 2015.

Income from **exports** decreased from HUF 251,793 million in 2014 to HUF 248,157 million in 2015. In euro, income from exports was 1.7% down and amounted to EUR 801.3 million.

Russia continues to be the leading market of the **CIS region** and also of the Company, with turnover denominated in EUR 4.3% below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro. Turnover reported in RUB terms increased by 25.7% to RUB 3.4 million. As regards the best performing products, sales of oral contraceptives as well as of Mydocalm, Diroton, APIs Rosuvastatin and Voriconazole and Stopdiar attenuated by lagging sales return from Esmya, Cavinton and Airtal.

In Ukraine sales decreased by 51.7% in EUR terms (EUR 28.5 million). All sales of the product decreased, of which the most significant were Groprinosin and Verospiron.

As regards Other CIS states sales decreased by 5,3% in EUR terms (EUR 4.2 million). Sales in Uzbekistan and Kyrgyzstan plummeting but were dampened by Kazakhstan and Turkmenistan sales income.

The total turnover achieved in the CIS market was HUF 109.275 million, 44.0% of total export. Year-on-year decrease was 10.8% (HUF 13.287 million). Expressed in Forex, the turnover was EUR 352.9 million (USD 391.4 million) with a 11.1% decrease in EUR (25.9% in USD) y/y (year-on-year).

The turnover achieved in the **European Union** was HUF 91,983 million, 5.2% up year-on-year. The contribution of this region to total export was 37.1 %. Expressed in Forex, the turnover was EUR 297.0 million with a 4.9 % increase.

Owing to the efficient promotion efforts of the Western European network of pharmaceutical representatives the Company's strategic product Esmya realised a significant sales increase, which greatly contributed to the overall 10.9 % increase in the EU15 region.

On the other hand, the CEE Member States decreased their contribution to total sales in the EU region to approximately 48.7% in 2014 with a 0.8% drop in sales income in euro. The drop is mainly attributed to Avonex sales in Baltic States.

Sales in the **United States** increased by 10.1% in HUF terms (HUF 1,234 million), or, decreased by 8.3% expressed in USD (USD 4,4 million) which primarily due to a massive decrease of Prosterid.

Turnover in the **Chinese region** was HUF 16,518 million (EUR 53.3 million) with a y/y increase of HUF 3,342 million (or EUR 10,6 million). Increasing sales income generated by Cavinton should be particularly noted. The price difference compensation due to the strengthening of the yuan against the euro accounted for retrospectively is reported in the Sales income, and the exchange rate compensation is reported in the Other incomes.

Income from sales in **Latin America** achieved a 12.7% (expressed in dollar, a 27,6%) decrease and amounted to HUF 3,749 million (USD 13.4 million). The sales decrease is attributed mainly to oral contraceptives. The contribution of this region to total export was 1.5 %.

In the category of **Other countries**, oral contraceptives were the leading products. In the Other countries region the turnover was HUF 13,160 million (EUR 42.5million). Compared to 2014, turnover was 8.5 % higher (in EUR 8.4 % higher). The contribution of this region to total export was 5.3 %.

Contribution of key products to sales revenues

Finished products contributed 92% to the 2015 sales revenues. The contribution of APIs was 4%, sales of purchased materials was 3%, and royalties and services jointly contributed 1%.

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

2014				2015			
Rank		Sales MHUF	Share %	Rank		Sales MHUF	Share %
1	Oral contraceptives	81,981	28.9	1	Oral contraceptives	85,407	30.3
2	Cavinton/vinpocetine	24,866	8.8	2	Cavinton/vinpocetine	25,403	9.0
3	Panangin/asparaginates	15,300	5.4	3	Mydeton/tolperisone	15,339	5.4
4	Mydeton/tolperisone	15,057	5.3	4	Esmya /ulipristal acetate	14,995	5.3
5	Verospiron/ /spironolactone	12,710	4.5	5	Panangin/asparaginates	14,263	5.1
6	ACE inhibitors /enalapril, lisinopril	12,268	4.3	6	Verospiron/ /spironolactone	11,317	4.0
7	Esmya /ulipristal acetate	11,728	4.1	7	ACE inhibitors /enalapril, lisinopril	11,303	4.0
8	Lisonorm /lisinopril, amlodipine	9,234	3.3	8	Lisonorm /lisinopril, amlodipine	8,257	2.9
9	Aflamin/aceclofenac	7,983	2.8	9	Aflamin/aceclofenac	6,642	2.4
10	Quamatel/famotidine	7,454	2.6	10	Quamatel/famotidine	6,629	2.3
	Total	**198,581**	**70**		**Total**	**199,555**	**70.7**
	Net income from sales	*283,648*	*100*		*Net income from sales*	*282,096*	*100*

The contribution of the ten leading product categories to total sales was 70.7%, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 85.4 billion, 4.2% over the 2014 figure. The increase was the effect mainly of the rising turnover of emergency contraceptive products and of the Diegonest and Drospirenone. The contribution of this product category to total turnover was 30.3%, rose by 1.4 percentage points compare with the previous year.

The second most important product is our proprietary Cavinton with a turnover of largely higher as in the reference year (rising sales in China and decline in Russia). Third best was Mydeton with a market share of 5.4%. Ranked 7th in the preceding year, Esmya became the fourth best-selling product, having increased its sales income

by 27.9% over the reference year as a result of rising Western European sales (Italy, France, Great Britain and Germany). Third in the reference year, Panangin slipped to fifth place due to lagging sales in Russia and Ukraine. Verospiron and ACE inhibitors each lost one place and finished sixth and seventh respectively, also because of dropping sales in Russia and Ukraine. Lisonorm managed to retain its eighth place, Aflamin its ninth place and Quamatel its tenth place despite the declining turnover. The composition of the TOP 10 list remained the same as in the reference period.

Contribution of key markets to sales revenues

In 2015 the Company's ten leading markets were as follows:

Company's ten leading markets		2015	
		MHUF	MEUR
1.	Russia	77,685	250.9
2.	Hungary	33,939	109.6
3.	Germany	16,688	53.9
4.	China	16,518	53.3
5.	Poland	14,664	47.4
6.	United States of America	13,472	43.5
7.	Ukraine	8,236	26.6
8.	Czech Republic	7,425	24.0
9.	Kazakhstan	7,124	23.0
10.	Great Britain	6,502	21.0
	Total	202,253	653.2
	Net income from sales	**282,096**	**910.9**

The ten leading countries jointly contributed approximately 71.7% to Richter's total sales.

Russia continues to head the league table and Hungary is second followed by Germany. As a result of rising Cavinton sales and the strengthening of the yuan China stepped up to fourth place. Poland retained its fifth place and the United States lost a place despite increasing sales income. Ukraine slipped back from fourth to seventh place in the sales ranking due to a 51.6% slump in turnover. The Czech Republic and Kazakhstan managed to hold on to their respective eighth and ninth place. The Slovak Republic dropped out of the TOP 10 list of most important markets and was replaced by Great Britain.

The three main therapeutic areas contribute 76% to the 2014 sales income. The most important area is that of gynaecological products contributing 40% to turnover. The contribution of cardiovascular products is 23% and of CNS (Central Nervous System) products, 13%.

HUF 111,559 million was realised with associated enterprises including HUF 98,140 million from sales to subsidiaries.

3.4 Balance sheet

Assets

As of 31 December 2015 the Company's assets amounted to HUF 737,067 million, HUF 30,716 million higher than the opening value. The 4.3 % increase of total assets boosted Richter's wealth. The main items on the asset side are as follows:

Fixed assets

The closing value of this item was HUF 457,590 million, HUF 15,514 million higher than the opening value. The growth in the value of fixed assets resulted the increasing of financial investments and the value of the tangible assets which was partially offset by the falling value of intangibles.

As of 31 December 2015 the combined value of the Company's holdings amounted to HUF 147,532 million including fair value and rose by HUF 13,853 million year-on-year. The change is mainly attributed to Richter's acquisition of the investment management business of Gedeon Richter Befektetéskezelő Kft.. (a total of HUF +4,102 million), the combined reversed impairment and value adjustment due to the change in Protek's share prices (HUF +2,269 million), and Gedeon Richter Romania S.A.'s capital increase (HUF 697 million).

The reassessment of holdings as of the balance sheet date resulted in an increase of HUF 6,522 million.

Loans given amounted to HUF 47,272 million and included predominantly long-term loans extended to pharmaceutical production companies.

The Company intends to held until maturity (2019) the Richter Treasury shares convertable bond, which is reported under long term bonds with a book value in 2015 of HUF 16,282 million.

There was a HUF 7,759 million increase in the value of tangible assets year-on-year (5.9 %). The increase is the result of a HUF 6,522 million growth in assets in the course of a construction aimed at a new, stare-of-the-art freeze-drying unit and an injectables packaing plant. Impairment was HUF 15,475 million in the reported period. The total value of capitalised capital expenditure is HUF 16,647 million. The total capitalised value includes group assets of minor value at HUF 40 million and completed refurbishment projects at HUF 2,291 million.

The value of intangibles was HUF 104,990 million, HUF 5,879 million lower than the opening value. The decline is attributed mainly to a HUF 4,984 million change in valuable rights resulting from the termination of the license and cooperation agreement relating to bremelanotide.

The total value of the Company's investment including the acquisition of intangibles was HUF 28,251 million in 2015.

Current assets

The total value of current assets was HUF 276,758 million as of 31 December 2015, HUF 15,314 million above the opening value.

Inventories increased by HUF 2,153 million by the end of the year. This item includes a HUF 124 million increase in the combined value of purchased materials and goods. The combined value of work in progress, finished products and semi-finished goods was HUF 2,030 million above the opening value recorded on January 1.

Receivables are HUF 2,017 million less than the opening figure. Trade receivables were HUF 8,107 million lower year-on-year. The decline was primarily contributed by shrinking trade receivables to other related parties in the CIS and the domestic regions and attenuated by increasing trade receivables in the EU region. This figure also contains HUF 12,206 million decrease in liabilities to other related parties. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest was HUF 6,379 million higher year-on-year predominantly because of the loan items extended to Richter-Helm BioLogics GmbH & Co., Pharmapolisz Kft., Gedeon Richter Romania S.A. and Gedeon Richter Aptyeka sp.O.O.O. due within a year.

As of 31 December 2015 the value of cash rose by HUF 31,534 million. The main contributors were the one-off milestone income from Allergan (Forest Laboratories) related to the marketing authorization of cariprazine, and the redemption of government bond held to maturity. The effect was lessened by the aggregate EUR 46 million repayment of the Club loan and of the European Investment Bank loan, as well as the payment of the last portion of the deferred sales price of the PregLem acquisition (milestone payment).

The value of securities was HUF 16,356 million below the opening value mainly due to the redemption of above mentioned government bonds.

Total Equity and Liabilities

Shareholders' equity

There was a substantial, HUF 63,487 million increase in shareholders' equity, which resulted from a HUF 48,523 million increase in profit for the year, a HUF 12,394 million in retained earnings, a HUF 2,117 million in fair value reserve, and a HUF 453 million in tied up reserve while the value of registered capital and capital reserves remained unchanged.

MHUF

	Issued capital	Share premium	Retained earnings	Tied-up reserve	Fair value reserve	Profit or Loss fo the year	Shareholders' equity
Balance 31.12.2014	**18 637**	**19 256**	**519 707**	**351**	**0**	**12 957**	**570 908**
31.12.2014 Profit for the year			12 957			-12 957	
31.12.2015 Release and tie-up of repurchase value of treasury shares and experimental development			-453	453			
31.12.2015 fair valuation reserve					2 117		2 117
Supplementary payment *			-110				-110
31.12.2015 Profit for the year						61 480	61 480
Balance 31.12.2015	**18 637**	**19 256**	**532 101**	**804**	**2 117**	**61 480**	**634 395**

*Pharmapolis Gyógyszeripari Tudományos Park Kft. to settle equity.

Changes in issued capital

Shares of the company

	31.12.2014			31.12.2015		
	Number	Nominal value HUF'000	Ratio %	Number	Nominal value HUF'000	Ratio %
Ordinary shares	186 374 860	18 637 486	100,00	186 374 860	18 637 486	100,00
Total shares	**186 374 860**	**18 637 486**	**100,00**	**186 374 860**	**18 637 486**	**100,00**

Fair valuation reserve

MHUF

	31.12.2014	31.12.2015	Variance
Financial investments		2 117	2 117

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

Ownership structure as known by the Company

	Ordinary shares *		Voting capital %		Subscribed capital %	
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015
Domestic shareholders						
MNV ZRt.	47 051 668	47 051 668	25.43	25.36	25.25	25.25
Local government	1 164	149	0.00	0.00	0.00	0.00
Institutional investors	5 035 532	5 498 517	2.72	2.96	2.70	2.95
Private investors	8 127 369	5 859 126	4.39	3.16	4.36	3.14
Total	**60 215 733**	**58 409 460**	**32.54**	**31.48**	**32.31**	**31.34**
Foreign shareholders						
Private investors	1 203 083	2 451 470	0.65	1.32	0.65	1.32
Institutional investors	123 573 719	124 293 699	66.80	66.98	66.30	66.68
Aberdeen Asset M. PLC.	*19 119 054*	*18 243 530*	*10.33*	*9.83*	*10.26*	*9.79*
Total	**124 776 802**	**126 745 169**	**67.45**	**68.30**	**66.95**	**68.00**
Non-specified shareholder	16 638	408 576	0.01	0.22	0.01	0.22
Treasury shares *	1 365 687	811 655	0.00	0.00	0.73	0.44
Subscribed capital	**186 374 860**	**186 374 860**	**100.00**	**100.00**	**100.00**	**100.00**

*It includes the 710,284 ordinary shares held by subsidiaries. Treasury shares carry no voting rights.

The book value of treasury shares held by Richter is HUF 550 million.

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

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

MHUF

	31.12.2014	31.12.2015
Dividend paid to MNV Zrt.	2 682	1 564

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

Changes in treasury shares

	Number of shares	MHUF
Opening 01.01.2015	**3 699**	**13**
Share purchase	1 177 008	5 958
Transferred in the context of bonus program	-327 378	-1 576
Transferred as premium	-422 917	-2 039
Transferred in the context of PM program	-350 694	-1 897
Repurchased in the context of PM program	21 653	91
Closing 31.12.2015	**101 371**	**550**

* Richter bought 100,000 ordinary shared from its subsidiary Nedermed B.V., and 550,000 ordinary shares from its affiliated undertaking Gedeon Richter Befektetéskezelő Kft.

It is the intention of the Company to grant Treasury shares to management and employees as part of its remuneration policy.

The Company is operating three share based payment programs, described below in more details.

From these programs, the individual bonuses and the bonus program vest immediately, while the shares granted under the Finance Ministry program have a vesting condition of employment at the end of the deposit period also described below.

Bonus program

Richter operates a bonus share programme since 1996 to further incentive managers and key employees of the Company. In 2015 327,378 shares were granted to 454 employees of the Company while in 2014 400,776 shares were granted to 454 employees.

Individual bonuses

422,917 ordinary shares were granted to qualified employees as bonuses during the year while 422,760 ordinary shares were granted in 2014.

Staff Stock Bonus Plan

Pursuant to a programme approved by the National Tax and Customs Administration related to employee share bonuses (Staff Stock Bonus Plan), the Company granted 350,694 treasury shares to 4,356 employees in 2015. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2018. In 2014 478,725 shares were granted to 4,959 employees deposited on their accounts until 2 January 2017.

The AGM held on 28 April 2015 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 150,000 treasury shares at the Budapest Stock Exchange during the year, and a further 375,304 shares on the OTC market.

Liabilities

As of 31 December 2015 total liabilities amounted to HUF 89,070 million and included HUF 42,225 million long-term liabilities. Long-term liabilities were HUF 9,775 million below the opening value.

The reduction was due primarily to EUR 21 million borrowings and the deferred purchase price in relation to the Chinese acquisition were reclassified as short term liabilities due within the year. At the end of 2015 the Company's only long-term borrowings was the EIB loan amounting to EUR 117 million.

Accounts payable increased by HUF 6,074 million. This figure also contains changes in liabilities to other related parties and of the cash pool.

The HUF 23,898 setback of short-term liabilities results mainly from deferred payments due in the reported period in conjunction with PregLem and the Chinese acquisition, repayment of the EUR 33 million Club facility and the EUR 13 million EIB loan, and was tempered by the reclassifications mentioned earlier.

3.5 Cash Flow Statement

MHUF

			2014	2015
I.	Net cash flow from ordinary business (Operating cash flow, lines 1-13)		44 355	98 824
1.	Profit before taxation	±	19 139	63 105
1/a.	Dividends received	-	-1 813	-1 002
1b.	Other profit items that do not imply cash movements		7 238	1 332
2.	Depreciation charge	+	22 079	22 536
3.	Impairment charge and reversal	±	14 373	4 143
4.	Difference in recognition and reversal of provisions	±	1 821	878
5.	Gains and losses of selling non-current assets	±	-27	-35
5/a	Change of non-current assets without cash flow generating effect	±		-1 537
6.	Change of trade payables	±	-657	6 074
7.	Change of other short term liabilities	±	-646	-774
8.	Change of accruals	±	-713	20
9.	Change of trade receivables	±	-6 722	-2 473
10.	Change in current assets (less receivables and liquid assets)	±	1 175	14 904
10/a.	Change of other current assets without cash flow generating effect	±	-1 713	-1 181
11.	Change of prepayments	±	1 466	-248
12.	Taxes paid or payable (on profits)	-	-31	-767
13.	Dividends paid or payable	-	-10 614	-6 151
II.	Cash flow from investing activities (lines 14-16)		-47 562	-57 998
14.	Purchasing of non-current assets	-	-34 614	-28 536
15.	Sales of non-current assets	+	386	206
16.	Change of financial investments	±	-15 147	-30 670
16/a.	Dividends received	+	1 813	1 002
III.	Cash flow from financing activities (lines 17-27)		-2 476	-9 292
17.	Proceeds from issuing shares	+		
18.	Proceeds from issuing bonds	+		
19.	Taking credits or loans	+		
20.	Repayment of long term loans	+	9 190	9 189
21.	Liquid assets received without the obligation of repayment	+		
22.	Withdrawal of shares	-		
23.	Repayment of bonds	-		
24.	Repayment of loans and credit	-	-4 949	-14 432
25.	Long term loans extended and bank deposits	-	-5 810	-3 191
26.	Liquid assets given without the obligation of repayment	-	-907	-858
27.	Change of liabilities in connection with founders	±		
IV.	Net cash flow (lines I+II+III)	±	-5 683	31 534

3.6 Financial performance indicators

The indicators calculated from the 2015 data refer to the state before establishment of dividend payment.

Profitability indicators

Indicators	Formula	2014		2015		Variance
EBITDA	Operating profit + Depreciation / Net sales income	39 964 + 22 079 / 283 648	= 21.87%	60 367 + 22 536 / 282 096	= 29.39%	7.52
ROE	After-tax profit / Shareholders' equity	19 108 / 570 908	= 3.35%	61 480 / 634 395	= 9.69%	6.34
ROA	After-tax profit / Total assets	19 108 / 706 351	= 2.71%	61 480 / 737 067	= 8.34%	5.63

Due to the increase in the Company's operation and after-tax profit the profitability indicators were more favourable than in the reference year.

EBITDA was 29.39% in the reported period, 7.52 percentage points abowe the 2014 figure. With a sales income approximately the same as in the reference year operating profit increased significantly (+51.1%).

At the end of 2015 return on equity was 9.69%, with return on assets being 8.34%. Both ROE and ROA improved year-on-year due to a 221.8% extremly increased in after-tax profit.

The Company's assets

Indicators	Formula	2014		2015		Variance
Debt ratio	Total liabilities / Total equity and liabilities	122 743 / 706 351	= 17.38%	89 070 / 737 067	= 12.08%	-5.30
Equity to debt ratio	Shareholders' equity / Total equity and liabilities	570 908 / 706 351	= 80.82%	634 395 / 737 067	= 86.07%	5.25
Fixed assets coverage ratio	Shareholders' equity + Long-term liabilities / Fixed assets	570 908 + 52 000 / 442 436	= 140.79%	634 395 + 42 225 / 457 590	= 147.87%	7.08
Working capital ratio	Current assets - Short-term liabilities / Total assets	261 444 - 70 743 / 706 351	= 27.00%	276 758 - 46 845 / 737 067	= 31.19%	4.19

Debt ratio was 12.08% in 2015, 5.30 percentage points less than in the reference year because of a 27.4% drop in liabilities.

With the reduction of debt ratio equity to debt ratio slightly increased and achieved 86.07% in 2015.

While fixed assets coverage ratio and working capital ratio decreased year-on-year, their respective values at 147.87% and 31.19% continue to reflect an extremely stable assets position.

The Company's liquidity

Indicators	Formula	2014		2015		Variance
Liquidity ratio	Current assets / Short-term liabilities	261 444 / 70 743	= 3.70	276 758 / 46 845	= 5.91	2.21
Cash ratio	Cash / Short-term liabilities	78 789 / 70 743	= 1.11	110 323 / 46 845	= 2.36	1.25
Quick ratio	Cash + Accounts receivable + Short-term marketable securities / Short-term liabilities	78 789 +116 908 + 20 858 / 70 743	= 3.06	110 323 +114 891 + 4 502 / 46 845	= 4.90	1.84

While all liquidity ratios increased by the end of 2015.

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

The decrease in the Company's short-term liabilities was caused mainly by equalization of the deferred payment liability due in the 2015 business year.

Stock market indicators

Indicators	Formula	2014		2015		Variance
Earnings per share ratio (EPS)	Profit after taxes / Number of common shares (Mn)	19 108 / 186.375	= 102.52	61 480 / 186.375	= 329.87	227.35
Price - earnings (P/E)	Average market value per share (HUF) x Average outstanding common shares (Mn) / Profit after taxes	3 554 x 186.375 / 19 108	= 34.66	5 573 x 186.375 / 61 480	= 16.89	-17.77

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

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

As of 31 December 2014 P/E was 34.66 compared to 16.89 in 2015.

Due to the increase in the 2015 after-tax profit earnings per share was HUF 329.87, HUF which was more than tripled compare to the previous year.

II. Specific section

II/1 Fixed assets

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

1.1 Intangible assets

MHUF

Intangible assets	Account groups				
	Rights	Intellectual property	Goodwill	Capitalised R&D	**Total**
Gross value					
Opening balance, 01.01.2015	**107 408**	**2 196**	**36 853**	**804**	**147 261**
Capitalization	5 079				**5 079**
Sale	-2				**-2**
Scrapping	-3 278	-115			**-3 393**
Reclassification, other	8		-527		**-519**
Closing balance, 31.12.2015	**109 215**	**2 081**	**36 326**	**804**	**148 426**
Accumulated amortization					
Opening balance, 01.01.2015.	**-34 617**	**-963**	**-346**	**-466**	**-36 392**
Amortization accounted in respect of the current year	-6 808	-169		-84	**-7 061**
Sale	2				**2**
Scrapping	17				**17**
Reclassification, other	-2				**-2**
Closing balance, 31.12.2015	**-41 408**	**-1 132**	**-346**	**-550**	**-43 436**
Net book value					
01.01.2015	72 791	1 233	36 507	338	110 869
31.12.2015	**67 807**	**949**	**35 980**	**254**	**104 990**

Intangible assets amounted to HUF 5,879 million in the reported period, 5,3% lower than the reference figure.

The product rights acquired from Grünenthal in 2010 containing market authorisation and manufacturing rights, which are presented as Rights, with net book value of HUF 47,942 million as of 31 December 2014 and HUF 43,516 million as of 31 December 2015.

The collaboration agreement made with Palatin Technologies were terminated in the third quarter 2015 following which we accounted for an iinpairment of HUF 3,134 million in respect of the intangible assets (licenses) of the project.

1.1.1 Goodwill

MHUF

Goodwill	Investments						
	GR Ukrfarm T.O.V.	GR Polska Sp.z.o.o.	PregLem SA	GRmed Company Ltd.	GR Mexico S.A.P.I.	Mediplus (E.Z.) N.V.	Total
Gross value							
Opening balance, 01.01.2015	**345**	**910**	**12 760**	**18 944**	**2 588**	**1 305**	**36 852**
Changes for the year					-527		-527
Closing balance, 31.12.2015	**345**	**910**	**12 760**	**18 944**	**2 061**	**1 305**	**36 325**
Impairment							
Opening balance, 01.01.2015	**-345**						**-345**
Impairment charged for the year							
Closing balance, 31.12.2015	**-345**						**-345**
Net book value							
01.01.2015	0	910	12 760	18 944	2 588	1 305	36 507
31.12.2015	**0**	**910**	**12 760**	**18 944**	**2 061**	**1 305**	**35 980**

In 2015 goodwill of the Mexican company was down by HUF 527 million because in the evaluation period preceding the transaction the Company acquired additional assets (long-term receivables) that were valued as part of the acquisition.

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

PregLem S.A.

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

At the date of the acquisition ESMYA, the most important product in this portfolio, a novel treatment for uterine fibroids, was close to the registration. In February 2012 the European Commission (EC) has granted marketing authorization to ESMYA as pre-operative treatment of uterine fibroids what was followed by the authorizations for the extended (use up to two courses - 2014) and intermittent use (2015).

Similarly to the previous years, Richter conducted an impairment test of PregLem for the 2015 balance sheet date and found that again there is no need to account for impairment. Considering that the future cash flows from continued use of the acquired assets are considerable, the return been determined for a cash generating unit including the ESMYA intangibles, PregLem goodwill and other tangible assets used to generate cash inflows (ESMYA CGU).

The return on the ESMYA CGU is determined by means of the income-based method with a fair value less cost to sell approach. The calculations are based on the approved budgets and management projections, the underlying cash flows of which are expected to reflect market participant assumptions as well.

Cash flows have been projected over the estimated useful life of the asset. Future cash flows are basically affected by changes in turnover, which has three main phases: ramp-up, staying at level, and decline once generic competition starts.

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

European ESMYA sales: Generic competition is not expected before 2025 in the European Union due to the data and marketing exclusivity granted by authorities effective till 2022 and also the company's patent portfolio (both granted patent and pending patent applications) protecting Esmya.

The product has been authorized for the long term management of uterine fibroids, which increases the overall sales potential and extends the time horizon for the product to reach this potential.
The majority (80%) of the recoverable amount is generated by the EU cash flows: sales revenue is expected to peak in 2019 and maintain that level until 2024. The Compound Annual Growth Rate (for the period 2016-2019 is 28% (in 2014 for the period 2015-2019 was 46%). Cash flow peaks in 2024 as a result of declining cost of sales (expiration of licence fee obligation). Sales are expected to decline over 5 years starting with 2025 (the first year of generic competition) (CAGR: -15%) and to remain stable after that till the end of the forecast period.

US ESMYA sales: In the United States, the combined effects of the delayed launch (2018) compared to EU markets and the company's patent portfolio will not make it likely that effective generic competition could start before 2030.

The discount rate (post tax: 9.2%, equivalent to a pre-tax rate of 10,5%; in 2014 9.55%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present values of cash flows up to and after 2023 are approximately the same.

The recoverable amount of ESMYA CGU exceeded carrying value of the sum of ESMYA intangible asset, other tangible assets used to generate cash inflows and the related goodwill. A rise in post tax discount rate to 10.8 % (in 2014: 10.8%) would remove the remaining headroom.

GRMed Company Ltd.:

GRMed Company Ltd. was acquired in 2013. The transaction supported the Group's stronger presence in China through acquiring an indirect holding in the Chinese trading company RxMidas.
The goodwill impairment was tested as of the balance sheet date of 31 December 2015 and it was found that again there is no need to account for impairment.

Considering that the future cash flows from continued use of the assets are considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost to sell approach. The calculations were based on the long term turnover projection and costing plan adopted by the management, the underlying cash flows of which are expected to reflect market participant assumptions as well. The present value of cash flows beyond this was determined by means of the terminal value formula.

A steady increase in cash flows is envisioned for the projection period (2016-2026) due to the average annual 10.8% growth in turnover.

The present value of the 2016-2026 cash flows alone is substantially (1.5 times) higher than the CGU's book value. By a conservative estimate of residual value (reckoning with 0% growth), return is 2.9 times the tested amount.
The discount rate (post tax: 11.0%, equivalent to a pre-tax rate of 12,4%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Mediplus Group:

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

The goodwill impairment was tested as of the balance sheet date of 31 December 2015 and it was found that again there is no need to account for impairment.

The recoverable amount of this group of cash generating units (CGUs) is determined by an income based fair value less cost to sell calculation. The calculations were based on the long term (2016-2025) turnover projection based on the data of Mediplus Group (Mediplus (Economic Zone) N.V., Comercial Gedeon Richter (Chile) Ltda., Gedeon Richter Peru S.A.C., Farmage Ecuatoriana, Farmage SRL) adopted by the management, 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.

Within the above period a significant upswing in the present value of cash flows is projected for 2016-2018 in conjunction with 25.0% annual average increase in sales revenues. After 2018 the cash flows remain near the same level because the projection envisions a continuous but minor (1.4%) growth in turnover for the remainder of the period. Neither growing nor declining trend has been taken into consideration when calculating the residual value.

The discount rate (post tax: 12.9%, equivalent to a pre-tax rate of 16,5%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present value of the 2016-2025 cash flows 1.53 times higher than the terminal value.

The calculated return is 24,9% in excess of the CGU's book value. A rise in post tax discount rate to 15.5 % would remove the remaining headroom.

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

The goodwill impairment in the wake of the acquisition of DNA Pharmaceuticals S.A. of Mexico was conducted as well.

Similarly to other goodwill impairment tests, in this case too return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost to sell approach. The calculations were based on the long term turnover projection adopted by the management (2016-2025), 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.

Cash flows vary over the period 2016-2021, but only to limited extent (relative standard deviation is 7,5%). After 2021 cash flows remain near the same level. Residual value was calculated under similar expectations (0% growth or decline).

The discount rate (post tax: 9.6%, equivalent to a pre-tax rate of 11,8%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.

The present value of the 2016-2025 cash flows exceeds the terminal value by 36%.

The calculated return is about 76.0% above the CGU's book value. A rise in post tax discount rate to 17.1% would remove the remaining headroom.

1.2 Tangible assets

MHUF

MHUF

Tangible assets	Account groups					
	Land and buildings	Technical equipment	Other equipment	Recorded in groups	Consrruction in progress	**Total***
Gross value						
Opening balance, 01.01.2015	**110 660**	**128 746**	**60 187**	**518**	**12 070**	**312 181**
CAPEX					23 172	**23 172**
Capitalization	3 581	6 341	4 393	40	-14 355	**0**
Renovations	781	1 300	210		-2 291	**0**
Sale	-25	-457	-647		-4	**-1 133**
Scrapping	-43	-1 021	-809	-35		**-1 908**
Loss event	-9		-32			**-41**
Shortage		-2	-7	-21		**-30**
Transferred without payment		-9	-11			**-20**
Reclassification, other	81	28	-116			**-7**
Closing balance, 31.12.2015	**115 026**	**134 926**	**63 168**	**502**	**18 592**	**332 214**
Accumulated depreciation						
Opening balance, 01.01.2015	**-27 559**	**-106 097**	**-46 119**	**-518**	**0**	**-180 293**
Depreciation charged to date	-3 396	-7 580	-4 459	-40		**-15 475**
Sale	5	457	496			**958**
Scrapping	17	1 018	807	35		**1 877**
Loss event	3		25			**28**
Shortage		2	6	21		**29**
Transferred without payment		9	11			**20**
Reclassification, other	-122	-8	133			**3**
Closing balance, 31.12.2015	**-31 052**	**-112 199**	**-49 100**	**-502**	**0**	**-192 853**
Net book value						
01.01.2015	83 101	22 649	14 068	0	12 070	**131 888**
31.12.2015	**83 974**	**22 727**	**14 068**	**0**	**18 592**	**139 361**

* It does not include the value of advances given for tangible assets (HUF 387 million).

The value of tangible assets was HUF 7,473 million above the reference year figure (+5.7%). Assets in the course of construction (investments and renovation) are HUF 6,522 million above the opening figure. The growth results from the investment aimed at the new state-of-the-art freeze-drying unit and the injectables packaging plant.

Depreciation on tangibles and intangibles was HUF 22,536 million in 2015, HUF 457 million in excess of the 2014 figure.

1.2.1 Tangible assets directly used for environment protection

MHUF

Tangible assets	Account groups			
	Land and buildings	Technical equipment	Other equipment	**Total**
Gross value				
Opening balance, 01.01.2015	**2 150**	**875**	**577**	**3 602**
Capitalization	103	19	68	**190**
Renovations	5	1	3	**9**
Scrapping		-10	-1	**-11**
Reclassification, other			1	**1**
Closing balance, 31.12.2015	**2 258**	**885**	**648**	**3 791**
Depreciation change				
Opening balance, 01.01.2015	**-446**	**-820**	**-547**	**-1 813**
Depreciation charged to date	-57	-23	-17	**-97**
Scrapping	0	10	1	**11**
Reclassification, other				**0**
Closing balance, 31.12.2015	**-503**	**-833**	**-563**	**-1 899**
Net book value				
01.01.2015	1 704	55	30	**1 789**
31.12.2015	**1 755**	**52**	**85**	**1 892**

1.2.2 Construction in progress

MHUF

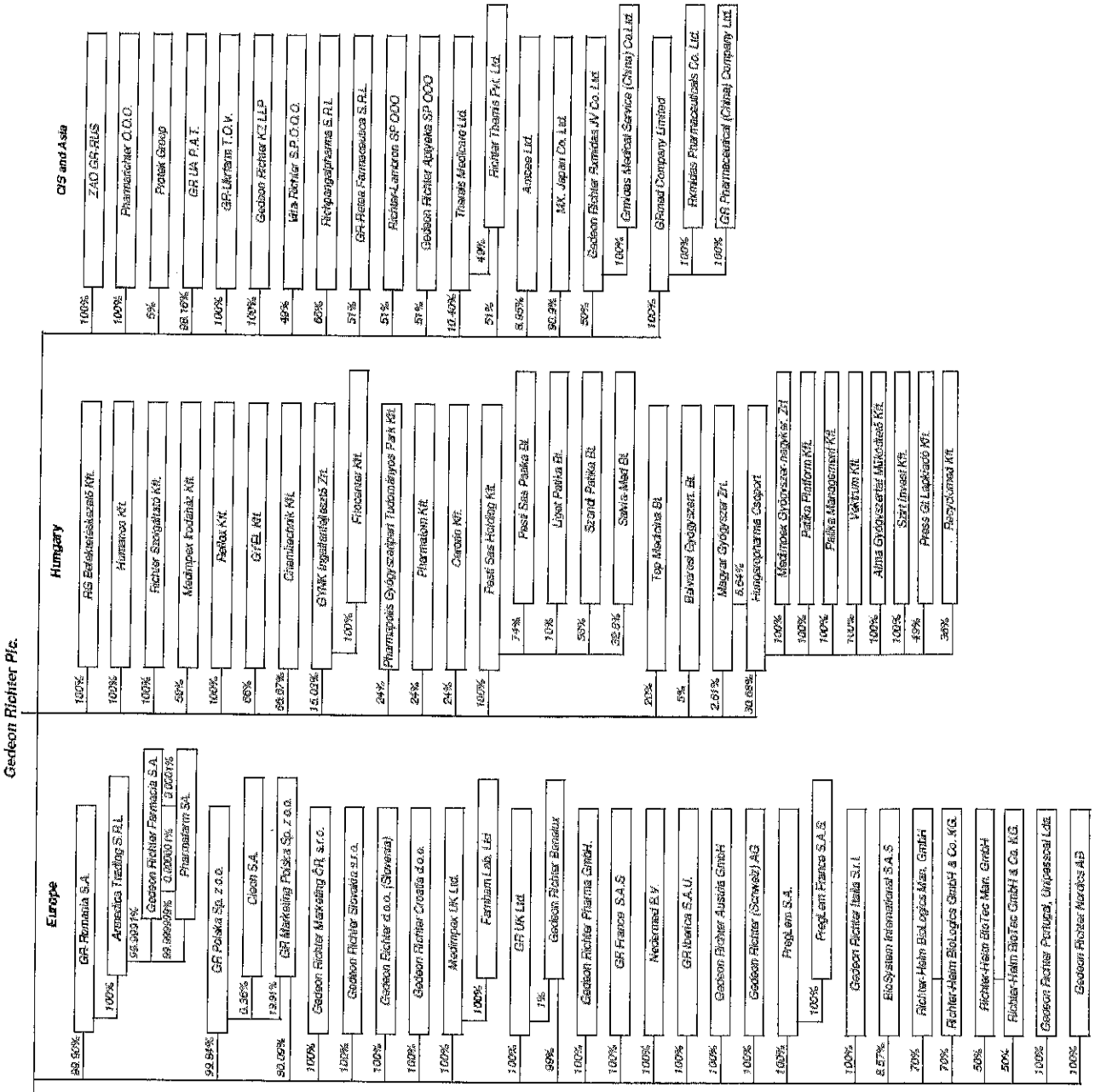
Description	Variance				
	Opening balance 01.01.2015	CAPEX	Capitalisation	Sales	**Closing balance 31.12.2015**
CAPEX	**11 201**	20 759	-14 316	-3	**17 641**
Renewal	**763**	2 363	-2 291		**835**
Grouped	**106**	50	-40		**116**
Total	**12 070**	**23 172**	**-16 647**	**-3**	**18 592**

The value of construction in progress as at 31 December was HUF 18,592 million.

The amount of intangible assets capitalised during 2015 is HUF 3,508 million.

1.3. Financial Investments

1.3.1 Investments of GR Plc. based on rate of ownership as 31.12.2015



1.3.2 Related parties in a breakdown by degree of participation 31.12.2015.*

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
Direct participation			
Humanco Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Pesti Sas Holding Vagyonkezelő Kft.	1103 Bp., Gyömrői út 19-21Hungary.	100.00	100.00
Reflex Kft.	1107 Bp., Száva u. 9. Hungary	100.00	100.00
Richter Befektetéskezelő Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Richter Szolgáltató Kft.	1103 Bp., Gyömrői út 19-21. Hungary	100.00	100.00
Chemitechnik Pharma Mér. Szolg.	1103 Bp., Gyömrői út 19-21. Hungary	66.67	66.67
Gyógyszerip. Ell. és Fejl. Labor Kft.	1149 Bp., Mexikói út Hungary 9.	66.00	66.00
Pharmarichter O.O.O	115201 Moszkva, Kasirszkoje 22. Russia	100.00	100.00
PregLem SA	1228 Plan-les Ouates, 3 chemin de Pré-Fleuri Schweiz	100.00	100.00
GR Marketing CR s.r.o.	Prága 4, Nusle, Na Strzi 1702/65 Czech R.	100.00	100.00
GR Slovakia, s.r.o.	Bratislava 81108, Soltésovej 14 Slocakia	100.00	100.00
GR Ausztria GmbH	1030 Wien, Hainburgerstraße 20, Top 17 Austria	100.00	100.00
GR Schweiz AG	6330 Cham, Gewerbestrasse 5 Schweiz	100.00	100.00
GR Portugal Lda	1000-012 Lisboa, Rua Almirante Barroso 7-A Portugal	100.00	100.00
Gedeon Richter d.o.o. (Slovenia)	Verovškova ulica 55, 1000 Ljubljana Slovenia	100.00	100.00
Gedeon Richter Croatia d.o.o.	Radnicka cesta 80, 10 000 Zagreb Croatia	100.00	100.00
GR RUS ZAO	Jegorjevszk Suvoje, Lesnaja u. 40. Russia	100.00	100.00
GR Ukrfarm T.O.V.	Kijev, Turgenyevszkaja u. 17/b. Ukraine	100.00	100.00
Medimpex UK Ltd	127 Shirland Road, London W9 2EP, Great-Britain	100.00	100.00
GR Italia S.r.l	Milano, Viale Cassala 16 Italy	100.00	100.00
GR Benelux S.p.r.i.	Monmaertslaan 18B á 1831 Diegem, Brussels, Belgium	100.00	100.00
GR Nordics	c/o Advokatfirman Lindahl KB 10139 Stockholm Sweden	100.00	100.00
GR Marketing Polska Sp.z.o.o.**	Warszawa, ul. Królowej Marysienki 70, 02-954 Poland	99.97	99.,97
GR Polska Sp.z.o.o.	Grodzisk Mazowiecki 05-825 Poniatowskiego u. 5.Poland	99.84	99.84
GR România S.A.	Tirgu Mures, Cuza Voda 99-105., Romania	99.90	99.90
GR UA P.A.T.	Chernovola 2/A, 08133 Vyshneve, Ukraine	98.16	98.16
Medimpex Japan Co.Ltd.**	Noyori Bldg. 2-17., Tokyo 105, Japan	90.90	90.90
Richter Helm BioLogics Man GmbH.	Bovenau Gut Dengelsberg Germany	70.00	70.00
Richter Helm BioLogics GmbH&.Co.KG	Bovenau Gut Dengelsberg Germany	70.00	70.00
Richpangalpharma S.R.L..	N. Mmilescu-Spataru str, 36 Chisinau 2075 Moldova	65.00	65.00
Richter-Lambron S.P.O.O.O.	375002 Jereván Kazara Parpeci 22. Armenia	51.00	51.00
GR APTYEKA S.P.O.O.O.	22, K. Parpetsi Str., 0002, Jerevan, Armenia	51.00	51.00
GR Retea S.R.L	N. Mmilescu-Spataru str, 36 Chisinau 2075 Moldova	51.00	51.00
Richter Themis Pvt.Ltd.	69, GIDC Industrial Estate Vapi, Gujarat, India	56.10	56.10
Gedeon Richter Colombia S.A.S	CL 67 No. 7 35 OF 1204, Bogota D.C., Colombia	100.00	100.00
Gedeon Richter KZ LLP	R. of Kazakhstan, 040706 Almaty Reg. Pervomaiskii ,Industrial Zone	100.00	100.00
GRmed Company Ltd.	Des Voeux Road Central, Hong Kong	100.00	81.00
Gedeon Richter Mexico, S.A.P.I. de C.V.	Cerrada de Galeane No.4, Colonia La Loma, Tlalnepantla, Esta Mexico	100.00	80.00
Gedeon Richter do Brasil Imp.,Exp.e Dis.S.A.	Rua Redencáo, No.97'Chácara Tatuapé, Sáo Paulo, Zip Code Brasil	51.00	51.00
Mediplus (Economic Zone) N.V.	Economische Zone Hato unit F.II.1., Curacao	100.00	100.00

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Subsidiary companies			
GR Ibérica S.A.	c/dr. Ferran 6-8.,Barcelona 08034, Spain	100.00	100.00
Nedermed B.V	Amstelveen, Straat van Magelhaens 13, 1183 Netherlands	100.00	100.00
GR Pharma GmbH	Frankfurter Str. 13-15., Eschborn, 65760, Germany	100.00	100.00
GR UK Ltd.	127 Shirland Road, London W9 2EP, Great-Britain	100.00	100.00
GR USA Inc.	1200 E.Ridgewood Avenue, New Jersey 07450.USA	100.00	100.00
GR France S.A.S.	1/3 Rue Caumartin, Paris 75009, France	100.00	100.00
Medimpex Jamaica Ltd.	Kingston 5, Ripon Road 10, Jamaica	60.00	60.00
Medimpex West Indies Ltd.	Kingston 5, Ripon Road 10, Jamaica	60.00	60.00
Indirect participation			
Armedica Trading S.A	Tirgu Mures, Cuza Voda 99-105., Romania	99.90	99.90
Pharmafarm S.A	Str. Majakovski Nr.2. Jud. Cluj, Romania	99.90	99.90
GR Farmacia S.A	TG MURES, STR. CUZA VODA Nr.99-105, Romania	99.90	99.90
Farnham Lab. Ltd.**	127 Shirland Road, London W9 2EP, Great-Britain	100.00	100.00
Preglem France	1/3 Caumartin Paris 75009 Paris France	100.00	100.00
Rxmidas Pharmaceutical Co. Ltd.	650 Dingxi Road, Changning dist., Shanghai, China	100.00	66.00
GR Pharmaceutical (China) Company Ltd.	650 Dingxi Road, Changning dist., Shanghai, China	100.00	66.00
Pesti Sas Patika Bt.	1091 Bp., Üllői út 105.Hungary	74.00	74.00
Gedeon Richter Peru S.A.C.	Av. Javier Prado Oeste 1586 Of. 201, San Isidro, Lima 27, Peru	100.00	100.00
Farmage SRL	Av. 6 de Agosto, No. 2455, Edificio: Hilda, Piso: 11, Oficina: 1102, Zona: Sopocachi, La Paz, Bolivia	100.00	100.00
Comercial Gedeon Richter (Chile) Limitada	Dr. Manuel Barros Borgoño # 187, Comuna de Providencia, Ciudad de Santiago, Región Metropolitana, Chile	100.00	100.00
Farmage Ecuatoriana S.A.	Provincia: Pichincha, Cantón: Quito, Parroquia: Santa Prisca, Av. Cristobal Colon, No. E8-85, Ecuador	100.00	100.00
Joint venture companies			
Direct participation			
Medimpex Irodaház Ingatlankezelő Kft.	1051 Bp., Vörösmarty tér 4. Hungary	50.00	50.00
Richter Helm BioTec Management GmbH	Hamburg, Nordkanal str. Germany	50.00	50.00
Richter Helm BioTec GmbH&Co.KG.	Hamburg, Nordkanal str. Germany	50.00	50.00
GR Rxmidas JVCo.Ltd	Des Voeux Road Central, Hong Kong	50.00	50.00
Indirect participation			
Grmidas Medical Service Co. Ltd.	Shanghai Waigaoqiao Free Trade Zone in 116 South Building, 1 South A2 site China	50.00	50.00
Associated companies			
Direct participation			
Hungaropharma Zrt.	1061 Bp., Király u. 12 Hungary	30.85	30.85
Cerorin Kft.	4025 Debrecen, Bartók Béla út 226 Hungary	24.00	24.00
Pharmapolis Gyógyszeripari Tud. Park Kft.	4025 Debrecen, Petőfi tér 10. Hungary	24.00	24.00
Pharmatom Kft.	4025 Debrecen, Bem tér 18/c Hungary	24.00	24.00
Top Medicina Bt.	3200 Gyöngyös, Hanisz tér 1. Hungary	20.00	20.00
VITA - Richter S.P.O.O.O.	Baku, 7-aya Chernogorodskaya 5. Azerbaian	49.00	49.00

Description	Head office	RG direct and indirect participation	
		ownership (%)	votes (%)
Other related companies			
Direct participation			
Gyógynövénykutató Ingatlanfejlesztő Zrt.	2011 Budakalász,József A. u 68 Hungary	15.03	15.03
Belvárosi Gyógyszertár Bt.	1052 Bp., Szervita tér 5. Hungary	5.00	14.28
Magyar Gyógyszer Zrt.	8200 Veszprém Bajcsy Zsilinszky u. 8. Hungary	2.61	2.61
Ambee Pharmaceuticals Ltd. **	Dhaka G.P.O.B. 957. Bangladesh	8.95	8.95
BioSystem International SAS	4, rue Pierre Fontaine, 91000 Evry, France	8.57	8.57
Protek Group	Moszkva, Kasirszkoje 22. Russia	5.00	5.00

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

** Direct + indirect ownership

all amounts in MHUF

	01.01.2015		Changes in 2015			31.12.2015		Dividends received (MHUF)	
	Book value (MHUF)	Ownership ratio (%)	MHUF	Description	Revaluation as of 31.12.2014	Book value (MHUF)	Ownership ratio (%)	2014	2015
Subsidiaries:									
Humanco Szolgáltató Kft	3	100.00				3	100.00	1	1
Pesti Sas Holding Vagyonkezelő Kft.	161	100.00				161	100.00	11	17
Reflex Kft.	220	100.00				220	100.00	60	30
Richter Befektetéskezelő Kft.	328	100.00				328	100.00	225	
Richter Szolgáltató Kft.	3	100.00				3	100.00	1	0
Chemitechnik Pharma Mérnöki Kft.	8	66.67				8	66.67	9	5
Gyógyszeripari Ellenőrző és Fejl. Labor Kft.	78	66.00				78	66.00		
Medimpex Uk Rt.	775	100.00			40	815	100.00		
Pharmarichter Kft.	1	100.00				1	100.00		
RG Italia	35	100.00				35	100.00		
RG Marketing CR Kft.	319	100.00			6	325	100.00		
RG Szlovákia Kft.	222	100.00			-1	221	100.00		
RG Ausztria Kft.	35	100.00			-1	34	100.00		19
RG Svájc Rt.	26	100.00			3	29	100.00		30
RG Portugália Kft.	28	100.00				28	100.00		
RG Szlovénia Kft.	10	100.00				10	100.00		
RG Benelux *	2	100.00				2	100.00		
RG Nordics	2	100.00				2	100.00		
PregLem Holding Rt.	81 521	100.00			8 571	90 092	100.00		
RG-RUS Rt.	12 563	100.00			-1 609	10 954	100.00		
RG-Ukrfarm Kft.	0	100.00				0	100.00		
RG-Románia Rt.	9 752	99,90	697	capital increase	-145	10 304	99,90		
RG Polska Kft.	10 955	99.84			-63	10 892	99.84	1 123	377
RG Marketing Polska Kft. *	1 361	99.97			-8	1 353	99.97		
RG-UA Rt.	277	98.16			-75	202	98.16		
Richter Helm Biologics Management Kft.	10	70.00				10	70.00		
Richter Helm Biologics Bt.	3 326	70.00			-18	3 308	70.00		
Richpangalpharma Kft.	27	65.00	171	capital increase	-6	192	65.00		
Richter Themis Rt. *	293	56.10			16	309	56.10	29	70
RG-Retea Kft.	0	51.00				0	51.00		
RG-Aptyeka Kft.	0	51.00				0	51.00		
Richter Lambron Kft.	74	51.00			6	80	51.00		

* direct + indirect ownership

all amounts in MHUF

	01.01.2015		Changes in 2015			31.12.2015		Dividends received (MHUF)	
	Book value (MHUF)	Ownership ratio (%)	MHUF	Description	Revaluation as of 31.12.2014	Book value (MHUF)	Ownership ratio (%)	2014	2015
Grmed Company Limited	3 528	100.00			202	3 730	100.00		
Gedeon Richter KZ LLP	163	100.00			-66	97	100.00		
GR D.O.O. (Croatia)	9	100.00				9	100.00		
GR Colombia S.A.S.	14	100.00			-1	13	100.00		
GR Mexico, S.A.P.I. de C.V.	595	100.00			-38	557	100.00		
Gedeon Richter do Brasil Imp., Exp. e Dis.S.A.	79	51.00	93	capital increase	-37	135	51,00		
Mediplus (Economic Zone) N.V.	68	100.00			7	75	100.00		
GR USA Inc.			289	share purchase	49	338	100,00		34
GR Pharma GmbH			484	share purchase	4	488	100,00		124
GR France SAS			481	share purchase	4	485	100,00		
GR UK Ltd.			232	share purchase	16	248	100,00		84
GR Iberica S.A.S.			777	share purchase	7	784	100,00		48
Nedermed B-V.			362	share purchase	5	367	100,00		
Medimpex Jamaica Ltd.			111	share purchase	12	123	60,00		
Medimpex WestIndies Ltd.			1 366	share purchase	217	1 583	60,00		10
Medimpex Japan Rt.	*0*	*90.90*				*0*	*90.90*		
Richter Nyrt. Direct	0	86.90				0	86.90		
Subsidiaries total	126 871		5 063		7 097	139 031		1 459	849
Joint ventures									
Medimpex Irodaház Ingatlankezelő Kft.	303	50,00				303	50,00		
Richter Helm BioTec Managment Kft	4	50,00				4	50,00		
Richter Helm BioTec Bt.	315	50,00			-2	313	50,00		
RG Rxmidas Kft.	359	50,00			39	398	50,00		
Joint ventures total	981		0		37	1 018		0	0
Associated companies									
Hungaropharma Zrt.	1 191	30.85				1 191	30.85	46	153
Cerorin Kft.	0	24.00	0	impairment		0	24.00		
Pharmapolis Gyógyszeripari Tud. Park Kft.	1	24.00	0	capital increase		1	24.00		
Pharmatom Kft.	1	24.00				1	24.00		
Top Medicina Bt.	1	20.00				1	20.00		
VITA - Richter Kft.	12	49.00			-5	7	49.00		
Associated companies total	1 206		0		-5	1 201		46	153
Total	**129 058**		**5 063**		**7 129**	**141 250**		**1 505**	**1 002**

* direct + indirect ownership

1.3.4 Impairment of equity investments

MHUF

Investments	31.12.2014	Impairment / *reversal* (book value)	31.12.2015
ZAO GR-RUS	1 409		1 409
VITA-Richter S.P.O.O.O	14		14
Richter Szolgáltató Kft.	3		3
Pesti Sas Holding Vagyonkezelő Kft.	42		42
Medimpex Japán Co. Ltd.	17		17
GR-Aptyeka S.P.O.O.O	16		16
GR-Retea Kft.	10		10
GR-Ukrfarm T.O.V	104		104
GR-Románia S.A.	25 633		25 633
Richter Helm Biologics GmbH & Co.KG	1 358		1 358
Protek Group	225	*-153*	72
BioSystem International SAS	416		416
Cerorin Kft.		0	0
Hungaropharma Rt.	1 330		1 330
Total	**30 577**	**-153**	**30 424**

1.4 Other financial investments

MHUF

Description	31.12.2014	31.12.2015
Long term loans given to related companies	46 596	44 510
Long term loans given to other affiliates	832	748
Other long term loans	563	2 014
Other long-term shares	4 621	4 165
Long term bonds	17 908	18 048
Valuation difference of non-current assets *		2 117
Total	**70 520**	**71 602**

* Valuation difference of non-current assets contains the fair value differences in connection with Protek Group.

The value of loans given amounted to HUF 47,272 million and included predominantly loans extended to ZAO Gedeon Richter-RUS and to PregLem S.A., to our production companies, mainly, Gedeon Richter Romania S.A., Richter-Helm BioTec GmbH & Co. KG, and the Indian subsidiary.

The Company intends to held until maturity the in 2019 to Richter Treasury shares covertable bond, which is reported under long term bonds with a book value in 2015 of HUF 16,282 million.

Long term bonds include Hungarian goverment bonds held to maturity aswell.

II/2 Inventories

2.1 Purchased materials, stock

MHUF

Description	31.12.2014	31.12.2015
Chemicals	5 318	4 573
Fine chemicals	46	63
Herbs	39	37
Finishing materials	1 264	1 338
Recycled raw material waste	440	614
Invoiced raw materials not received	169	76
Auxiliary substances	1 282	1 250
Technical materials	633	637
Spare parts	307	324
Gifts	30	36
Brochures	29	31
Fuels	1	1
Other assets	138	161
Invoiced materials not received	12	12
Total materials	9 708	9 153
Purchased medicines	3 343	4 022
Purchased inventories total	**13 051**	**13 175**

2.2 Self-manufactured inventories

MHUF

Description	31.12.2014	31.12.2015
Work in progress	350	298
Materials self manufactured	29	34
Total WIP and materials self manufactured	*379*	*332*
Semi-finished raw materials	19 082	19 593
Semi-finished lose products	3 490	3 301
Total semi-finished products	*22 572*	*22 894*
Total WIP and semi-finished products	22 951	23 226
Domestic finished	1 584	1 871
Export finished	7 250	8 665
Total finished goods	8 834	10 536
Services in progress	26	70
Mediated services	22	31
Services in progress total	48	101
Total self produced inventories	**31 833**	**33 863**

2.3 Hazardous waste

31.12.2014		Change of inventories				31.12.2015	
		Increase		Decrease			
Tons	MHUF	Tons	MHUF	Tons	MHUF	Tons	MHUF
0	0	20 871	2	20 871	2	0	0

The costs of waste neutralisation amounted to HUF 886 million in the current year.

2.4 Impairment of inventories

2.4.1 Impairment of materials purchased

MHUF

Changes in inventories		
Description	2014	2015
Scrapping	309	271
Devaluation	178	49
Loss event	10	42
Shortage, drainage loss	5	13
Total	**502**	**375**

2.4.2 Impairment of self-manufactured inventories

MHUF

Changes in inventories		
Description	2014	2015
Scrapping	567	742
Devaluation	523	377
Loss event	4	12
Shortage, drainage loss	33	53
Total	**1 127**	**1 184**

Reversal of impairment loss related to self manufactured stocks amounted to HUF 118 million in 2015.

II/3 Receivables

3.1 Accounts receivable open

MHUF

Segment		31.12.2014	31.12.2015	Variance
Domestic trade receivables	*	1 048	1 625	577
- incuding overdue:		*10*	*3*	*-7*
- impairment		-8	-8	0
Domestic trade receivables balance		**1 040**	**1 617**	*577*
Foreign trade receivables	**	41 176	43 935	2 759
- incuding overdue:		*7 094*	*6 918*	*-176*
- impairment		-3 167	-2 404	763
Foreign trade receivables balance		**38 009**	**41 531**	*3 522*
Total trade receivables		**39 049**	**43 148**	**4 099**

* of which HUF 999 million was collected by 30 January 2016
** of which HUF 11,481 million was collected by 30 January 2016

3.2 Receivables from other related parties open

MHUF

Segment		31.12.2014	31.12.2015	Variance
Domestic trade receivables	*	5 884	1 950	-3 934
- incuding overdue:				*0*
- impairment				–
Domestic trade receivables balance		**5 884**	**1 950**	*-3 934*
Loans given for controlled domestic account		1 159	2 400	1 241
Foreign trade receivables	**	53 958	45 686	-8 272
- incuding overdue:		*12 472*	*3 477*	*-8 995*
- impairment		-167	-167	
Total receivables from related parties		**53 791**	**45 519**	*-8 272*
Loans given and unregistered capital increase, share purchase in controlled foreing account		12 361	18 167	5 806
Total trade receivables from related parties		**73 195**	**68 036**	**-5 159**

* of which HUF 1,389 million was collected by 30 January 2016
** of which HUF 9,812 million was collected by 30 January 2016

3.3 Receivables due from associated parties*

MHUF

	31.12.2014	31.12.2014	Variance
Domestic trade receivables	5 884	1 950	-3 934
Foreign trade receivables	45 417	41 258	-4 159
Loans given for related companies	13 442	20 471	7 029
Related companies' non registered capital increase			
Total	**64 743**	**63 679**	**-1 064**

* The table includes the figures without the values of impairment.

3.4 Changes in impairment of receivables

MHUF

	31.12.2014	Reversal	Recognition	31.12.2015
Domestic trade receivables	8			8
Foreign trade receivables	3 167	-1 034	271	2 404
Related parties	167			167
Total	**3 342**	**-1 034**	**271**	**2 579**

3.5 Changes in impairment of loan receivables

MHUF

	31.12.2014	Reversal	Recognition	Reassessment	31.12.2015
RG Ukrfarm Kft.	648			69	717
RG Retea Kft	850	-102		-4	744
Pharmapolis Debrecen Kft.	300				300
Total	**1 798**	**-102**	**0**	**65**	**1 761**

II/4 Securities and cash

MHUF

Description	31.12.2014	31.12.2015
Open-ended investment funds	2 396	2 426
Government securities	18 449	1 526
Treasury shares	13	550
Securities total	**20 858**	**4 502**
Bank deposits	78 749	110 280
Cash on hand	40	43
Cash total	**78 789**	**110 323**
Securities and cash total	**99 647**	**114 825**

The value of cash and securities increased by HUF 15.178 million. Securities were down because of the redemption of goverment bonds held to maturity.

II/5 Tied-up reserve, provisions

5.1 Tied-up reserve

MHUF

	31.12.2014	31.12.2015
Repurchase value of treasury shares	13	550
Capitalized value of R&D	338	254
Total tied up reserve	**351**	**804**

5.2 Provision for expected liabilities

MHUF

	31.12.2014	Reversal	Recognition	31.12.2015
Liabilities in connection with retirement	1 285		109	1 394
Liabilities of jubilee service period	514		65	579
Expected liabilities *	1 511	-1 491	2 195	2 215
CO_2 quota	29			29
Total	**3 339**	**-1 491**	**2 369**	**4 217**

*The line item Expected liabilities includes provisions created to cover customer bonuses (HUF 1,682million) and to other expected liabilities (HUF 533 million).

Retirement benefit program

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

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

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

The Company created provisions in connection with retirement based on actuary calculation to cover expected liabilities, which is HUF 1,394 million on the 31.12.2015.
The calculation is applied for all employees employed at 31 December 2015.

II/6 Liabilities

6.1 Long-term liabilities

MHUF

	31.12.2014	31.12.2015
Credit	43 297	36 531
Other liabilities	8 703	5 694
Total long-term liabilities	**52 000**	**42 225**

6.2 Short-term liabilities

MHUF

	31.12.2014	31.12.2015
Short term loans	14 432	6 523
Advances received	290	113
Trade payables	16 777	16 399
Payables to related companies	7 963	14 415
Dividends	6 151	
Other	25 130	9 395
Total current liabilities	**70 743**	**46 845**

Of the European Investment Bank R&D support loans EUR 116.7 million is reported in long term liabilities and EUR 20.8 million in short term liabilities. In 2015 the Company repaid EUR 12.5 million of the EIB loan. The EUR 33.3 million remainder outstanding of the EUR 150 million Club loan taken out by the Company in 2010 was repaid in 2015.

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

PregLem contingent and deferred purchase price payments

As announced at 6 October 2010, Gedeon Richter acquired a 100% ownership in PregLem. A purchase price up to CHF 445 million was payable, provided that certain milestone are achieved. The Company reported the contingent and deferred acquisition price payment liabilities to former owners at probability weighted discounted values which were reviewed in each period. The last payment subject to milestone (CHF 60 million) was made in June 2015 as Preglem had been granted approval for the intermittent use of Esmya in the long term management of uterine fibroids in the European Union.

GRMed contingent and deferred purchase price payments

In 2013 Richter Gedeon Plc. announced that it signed a series of agreements with the owners of its marketing partner, Rxmidas Pharmaceuticals Co. Ltd. ('Rxmidas'), targeting a reshaped and stronger direct presence on the Chinese pharmaceutical market. Richter acquired majority interest in the company (GRMed Company Ltd., hereinafter "GRMed") and the agreement terms included an upfront payment together with milestone payments in the forthcoming years. Contingent and deferred purchased price is presented as long term and current liability, and it is accounted for at probability-weighted discounted present value. The next portion of the purchase price was paid in February 2015 (CNY 156 million). As of the balance sheet date the maximum value of the outstanding liability in respect of this transaction is approximately CNY 275 million (HUF 12,139 million).

GRMexico contingent and deferred purchase price payments

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

The targeted activities are sales, promotion and registration of Female Healthcare products. This partnership agreement between GR Mexico and Richter creates a perfect synergy for launching Esmya on the Mexican market. In case of this liability the contingent and deferred purchase price is also presented as long term and current liability, and it is disclosed at probability-weighted discounted present value. In December 2015 the portion of the purchase price due (USD 1.5 million) was paid. The maximum value of the outstanding payment is USD 3.0 million (HUF 860 million.

Mediplus Group contingent and deferred purchase price payments

In May 2014 Gedeon Richter Plc. signed an agreement with Andelam B.V. a Netherland based private limited liability company ("Andelam") to buy 100% stake and 51% voting rights in Mediplus N.V. a marketing company based in Curaçao ("Mediplus"). According to the agreement Richter is going to fulfill the liability originated from the contingent and deferred purchase price construction in connection with the unpaid 49% in the next three years. Further payments are connected to certain performance related targets to be reached by previous owner. . In the view of Richter's management the preconditions for the milestone payment will not be met, therefore the Company does not report liability in respect of this transaction. Based on the agreement concluded with the original shareholder in 2015, Richter's voting rate increased to 100%.

Mediplus is a well established marketing company, which covers through its subsidiaries a number of countries in the Latin American region, namely: Ecuador, Peru, Chile and Bolivia. It also sells

pharmaceutical products to Central American and Caribbean countries. The main profile is to market those female healthcare products of Richter, which are already on the market in the above mentioned countries and also to register other gynaecological products, including Esmya.

As a consequence mentioned above the long therm liabilities contain HUF 5,694 million as deferred purchase price of the chinese and mexican companies. From the current liabilities HUF 6,370 million is in connection with the current payment of the deferred purchase price of the chinese and mexican aquisitions. The closing value of this item is 70.4% lower than the opening value, mainly because of the last payment in connection with PregLem.

6.3 Off balance items

MHUF

	31.12.2015
Guarantees provided by the Company	7 153

As the probability of calling in the guarantees is minimal, recognizing any provision is not deemed necessary.

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

II/7 Prepayments and accruals

7.1 Prepayments

MHUF

	31.12.2014	31.12.2015
Interest on securities	93	92
Bank interest	149	121
Interest on loans	399	706
Government grants	173	18
Other	143	0
Prepaid income	**957**	**937**
Journals, reference books, CD	355	401
Foreign offices	720	412
Insurance	136	144
Software renting and maintenance	107	121
Authority fee and authorisation costs	115	147
R&D costs	0	390
Other trade costs in connection	0	52
Other	81	115
Prepaid costs and expenses	**1 514**	**1 782**
Prepayments	**2 471**	**2 719**

7.2 Accruals

MHUF

	31.12.2014	31.12.2015
Rewards and bonuses	2 472	2 183
Licence	242	139
Research contract	787	278
Fee for inventions	398	373
Insurance	68	96
Endowment insurance	772	537
Payment of medicine price subsidy to NHF	243	0
Payment of foreign medicine price subsidies	1 719	2 723
Foreign sales costs	502	593
Costs of foreign offices	4	703
Advertising and marketing expenses	0	492
Interests payable on bank loans	134	102
Other	38	147
Accrual of costs and expenses	**7 379**	**8 366**
Accrued income	1 982	1 019
Accruals	**9 361**	**9 385**

II/8 Costs, expenses, revenues

8.1 Costs and expenses

8.1.1 Function of expense method

MHUF

Description	2014	2015	Index %	Accounting Act Schedule 3, Version "A"
Direct cost of sales accounted	49 279	48 552	98.5	(03)
Original cost of goods sold	11 427	10 200	89.3	(04)
Value of services solf (mediated)	428	827	193.2	(05)
Direct cost of sales	**61 134**	**59 579**	**97.5**	**II.(03+04+05)**
Sales and marketing costs	97 333	95 121	97.7	(06)
Administration costs	24 717	26 483	107.1	(07)
Other general overhead	49 526	42 082	85.0	(08)
Indirect cost of sales	**171 576**	**163 686**	**95.4**	**III.(06+07+08)**

The aggregate year-on-year decrease in direct and indirect costs of sales was HUF 9,445 million.

Direct costs of sales totalled HUF 59,579 million and were HUF 1,555 million under the 2014 figure due to the effect of sales decrease and the change in the portfolio of products.

Indirect costs amounted to HUF 163,686 million in 2015, lagging behind the 2014 figure by HUF 7,890 million.

- Payroll costs (wages and contributions) decreased by a total of HUF 3,137 million.
- Commission paid to agents dropped by HUF 1,284 million, mainly due to plummeting sales in the CIS.
- Promotion costs were HUF 1,017 million up. Increasing costs resulting from the expansion of sales and marketing activities in the Chinese market and rising marketing costs in Western Europe were not offset by falling costs in the CIS region, Poland and the EU10 countries.
- In 2015 there was a HUF 7,069 million downturn in income from research commissions due to a significant drop in expenditures on PregLem's projects, and a shift of the clinical studies of cariprazine to 2016. The bulk of these costs includes items related to R&D collaborations.

8.1.2 Nature of expense method

MHUF

Item	2014	2015	Index %	Accounting Act Schedule 2, Version "A"
Raw materials and consumables	38 176	40 496	106.1	(05)
Contracted services	99 321	93 661	94.3	(06)
Other service activites	2 052	1 896	92.4	(07)
Original cost of goods sold	11 427	10 200	89.3	(08)
Value of services sold (mediated)	428	827	193.2	(09)
Material costs	**151 404**	**147 080**	**97.1**	**IV.(05+06+07+08+09)**
Wages and salaries	34 596	33 051	95.5	(10)
Other employee benefits	13 817	13 130	95.0	(11)
Contributions on wages and salaries	11 401	11 286	99.0	(12)
Staff costs	**59 814**	**57 467**	**96.1**	**V.(10+11+12)**
Depreciation	**22 079**	**22 536**	**102.1**	**VI.**
Total cost and expenditure	**233 297**	**227 083**	**97.3**	

- The Company's costs and expenses were HUF 6,214 million less than in the reference year.
- HUF 2,320 million of the decrease was contributed by dropping material costs, and HUF 5,660 million by contracted services, the latter predominantly due to cuts in promotion.
- The original cost of goods sold was HUF 1,227 million bellow the 2014 figure due primarily to the decrease in CIS sales and to the changing structure of EU sales. In the latter case the proportion of the purchased materials and drugs are lowered in the turnover.
- Staff costs dropped by HUF 2,347 million typically due to declining year-on-year payments at the Russian and Ukrainian agencies.
- The HUF 457 million increase in depreciation is mainly attributed to capex activities over the past period, and is specifically related to production and production control.

8.2 Value of own performance capitalized

MHUF

Description	31.12.2014	31.12.2015	Index %	Type "A" in Annex 2 to Accounting Act
Change of self manufactured inventories	-1 328	2 030	n.a.	(03)
Capitalised value of self manufactured assets	1 915	1 788	93.4	(04)
Value of capitalised own performance	**587**	**3 818**	**650.4**	**II.(±03+04)**

8.3 R&D expenditures

In 2015 the Company spent 12.3% of the revenue on R&D activities.

MHUF

Cost category	2014	2015
R&D expenses	42 226	34 608

8.4 Other income and expenditures

MHUF

	2014	2015
Total other income	**7 846**	**22 999**
Other expenditure		
Provisioning	1 821	2 369
Write-off unrecoverable receivables	6	1
Impairment of receivables	2 447	271
Impairment of inventories	1 629	1 559
Book value of tangible assets sold	345	171
Local business tax	3 006	3 270
Buildings tax	325	377
Innovation fee	451	493
Flat tax on reimbursed drugs payable to NHF **	168	192
Registration fee of medical representatives **	162	219
Flat tax on reimbursed drugs payable, Germany	2 906	2 112
Flat tax on reimbursed drugs payable, other countries	944	2 086
Other expenditure from changes of deferred purchase price	675	3 207
Other	3 935	5 136
Total other expenditure	**18 820**	**21 463**
Balance of other income and expenditure	**-10 974**	**1 536**

In 2015, the line of Other income included HUF 11 million from associated companies.

The balance of Other income and expenditure improved and was HUF 1,536 million after the negative balance of HUF 10,974 million in 2014.

Significant contributors to the increase include milestone incomes (from Allergan in conjunction with securing marketing authorization for Vraylar™ in the United States, and from Stada in connection with the development of biosimilar products), as well as the exchange rate compensation related to Chinese sales accounted for retrospectively. The above impacts were reinforced by lower allowances for customers and lower net expense balance of the provisions created and reversed for rebates compared to the reference year. Conversely, amortization

of intangible assets in excess of the reference figure had an opposite effect and was due mainly to the termination of the collaboration and license agreement relating to bremelanotide.

Claw-back in 2015 comprised payments related to the Hungarian, German, French, Spanish, Portuguese, Belgian, Italian, Bulgarian and Latvian markets totalling HUF 4,390 million.

In 2015, the change in the likelihood of payment of the deferred portion of the purchase price of PregLem and the deferred payment liability to our Chinese partner increased the Other expenditures.

8.5 Profit on financial transactions

MHUF

	2014	2015
Income from financial operations		
Dividends and share of profits received	1 813	1 002
Interest and related income received	2 014	1 863
including income from securities	*353*	*546*
Interest income on financial investments	2 481	2 601
Exchange gains on selling participations		7
Other income	10 777	15 532
gains on converting receivables, payables and foreign currency	*10 342*	*14 742*
gains on futures transactions, closed		*712*
fair value of futures transactions	*395*	*117*
gains on securities sold	*40*	*-39*
Total income from financial operations	**17 085**	**21 005**
Expenses from financial operations		
Interes and related expense due	1 373	1 135
Impairment of participations and reversal	8 350	-153
Other expenditure	27 106	17 446
loss on conversion at year end date	*14 572*	*359*
loss on coverting receivables, payables and foreign currency	*10 126*	*16 313*
loss on futures transactions, closed	*225*	*91*
release of fair value of futures trasnactions	*113*	*107*
loss on securities sold	*16*	*2*
loss on treasury shares sold	*106*	
selling participations		*2*
Unwinding of discounted value related to liability in respect of def.purch.prices	*1 948*	*572*
Total expenses from financial operations	**36 829**	**18 428**
Result of financial operations	**-19 744**	**2 577**

Net financial income in 2015 was HUF 2,577 million profit as opposed to HUF 19,744 million loss in 2014.

In light of the changes during the reported year, Richter's financial income was greatly affected by the strengthening of the forint against the rouble and the euro, and the weakening of the forint against the dollar. As of the 2015 balance sheet date, the exchange rate (NBH rate) was 3.88 forints to the rouble (-12.8%), 313.12 forints to the euro (-0.6%), and 286.63 forints to the dollar (+10.6%).

Revaluation as of the balance sheet date closed with a loss in both 2014 (HUF 14,572 million) and 2015 (HUF 359 million), and contributed HUF 14,216 million to the increase of net financial income over 2014. The item includes revaluation of investments, loans receivable, advances, cash, loans payable, trade receivables and payables, as well as as well as accrued and deferred items.

The Company made a profit on forward transactions amounting to HUF 57 million in 2014 and HUF 631 million in 2015.

In 2014 impairment of GR-Romania S.A., Protek, RG-Retea SR.L. and Pesti Sas Holding Kft. was accounted for (in the total value of HUF 8,350 million), and in 2015 the impairment reported on Protek was reversed (HUF 153 million).

Exchange rate losses realized from trade on receivables, payables and other items were HUF 2,935 million as opposed to a HUF 1,993 million loss in the preceding year. The aggregate gain contributed HUF 0.9 billion to a year-on-year decrease in earnings.

In 2015 the time value and exchange rate effects of the liability related to PregLem reduced the net financial income to a lesser extent (by HUF 572 million as opposed to HUF 1,948 million in the reference year).

Dividends received contributed HUF 1,002 million to the 2015 financial income, HUF 811 million less than the HUF 1,813 million achieved in 2014.

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

The derivative contracts not classified as hedges are all over-the-counter FX forward transactions, except one interest swap contract, which was terminated in 2015."

MHUF

	31.12.2014	31.12.2015
Unrealised loss on the OTC interest swap agreements, that has not been closed by the balance sheet preparation date	113	

all amounts in MHUF

unts in MHUF

ıry profit

MHUF

	2014	2015
come		
shares in program approved by Ministry of Finance	76	92
oods received without consideration	53	49
		243
ıry income	**129**	**384**
penditure		
sferred without consideration	126	79
ital	2	
	789	780
	293	222
ry expenditure	**1 210**	**1 081**
s	**-1 081**	**-697**

e current minimum
tribution is made in
of the contributions

since 1 September
for employees was

person

tal
2015
6 603
53
17
6 673

, headcount, remuneration

s

MHUF

yment type	Employee groups					
	Blue collar		White collar		Total	
	2014	2015	2014	2015	2014	2015
	8 859	8 882	24 192	22 958	33 051	31 840
	2	4	204	230	206	234
	14	7	163	89	177	96
yees					1 162	881
ıce sheet	**8 875**	**8 893**	**24 559**	**23 277**	**34 596**	**33 051**
er (full time) employee	3.6	3.7	5.5	5.4	4.8	4.8

ory Board

ırity and pension schemes

rovided in relation to the employees in Hungary social contribution tax amounting to 27 percent
ng contribution amounting to 1.5 percent of gross salaries were paid during 2015 to the National
dministration by the Company. The Company has no further obligations beyond the statutory
the year. In relation to employees employed in abroad, the social insurance contributions have
nce with the laws of that country.

II/9 Calculation of the income tax

MHUF

1.	**Corporate income tax**	2014	2015
	Profit before taxation	**19 139**	**62 247**
	- total of items reducing tax base	62 284	73 033
	- total of items added tax base	33 342	30 616
2.	Income from abroad		
3.	**Tax base**	**-9 803**	**19 830**
4.	Calculated tax		3 723
5.	Investment tax relief		2 978
6.	Tax paid abroad	31	8
7.	Tax liability	31	753
8.	Tax in connection with the previous year		14
9.	**Profit after taxation**	**19 108**	**61 480**

1.	Amount of used tax loss		9 373
2.	Amounts of provision against future liabilities and costs reversed and stated as income		1 491
3.a.	Depreciation charged under Tax Act	22 122	26 071
3.b.	Calculated book value of the sale and scrapping of intangible propery and tangible assets, etc.	2 347	
4.	Dividends, share of profits received	1 813	1 002
5.	Relief due to apprentices	15	13
6.	Reversed impairment of receivables, collected bad debt	110	835
7.	Cancellation of penalties	2	2
8.	50% of royalties received	121	86
9.	Direct cost of R&D	35 257	27 376
10.	Amount identified by tax audit, self-review and stated as income	237	1 113
11.	Amount of donation	260	244
12.	Unrealised exchange differences		5 427
	Total of items reducting tax base	**62 284**	**73 033**
1.	Amounts of provision against future liabilities and costs reversed and stated as expenditure	1 821	2 370
2.a.	Depreciation charged under Accounting Act	22 079	26 128
2.b.	Book value of intangible propery and tangible assets, sold, scrapped etc.	2 477	
3.	Costs not recognised for the purposes of doing business	4 478	730
4.	Penalties and fines	7	77
5.	Impairment of receivables	2 447	271
6.	Cancellation of receivables	0	29
7.	Amount identified by self-review and stated as expenditure	33	1 011
	Total of items added to tax base	**33 342**	**30 616**

9.1 Eligibility to investment tax incentive

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

The project was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company has so far taken advantage of the investment tax relief for the 2012 and 2013 fiscal years in the combined current amount of HUF 4,414,755 thousand. The Company was not liable to pay corporate tax for the 2014 business year, so it does not utilize the investment tax relief. The tax relief to be applied for the 2015 fiscal year amounts to HUF 2,978,132 thousand.

The terms and conditions of having recourse to the present investment tax relief are regulated by the provisions of Sections 22/B and 23 of Act on Corporate Tax and Dividend Tax, Government Decree No. 206 of 2006 (16 October) /165/2014. (17 July) Gov.Decree/ on the investment tax incentive, Government Decree No. 85 of 2004 (19 April) /37/2011 (22 March) Gov.Decree/ on the procedure related to State aids pursuant to Article 87 (1) of the Treaty establishing the European Community and on the regional support map /entered into effect by virtue of Government Decree No. 37 of 2011 (22 March/, and Decree No. 8 of 2007 (24 January) of the Minister of Economy and Transport on the provisions for granting state aid based on individual government decisions /entered into effect by virtue of Decree No. 210/2014 (27 August) of the Minister of National Development.

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

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

75 workers if the project is started and operated within the administrative jurisdiction of a preferential local government specified in the relevant Government Decree.

Pursuant to Section 5 (1) of Government Decree No. 206 of 2006 (16 October) the tax relief and the present value of State support to be considered in cumulative subsidy cannot exceed the value of notified but no more than the actually incurred eligible costs adjusted with a pre-determined support intensity.

When it comes to calculating the amount of tax relief in conjunction with the Debrecen project, the starting point can be the present value of notified costs as these costs were exceeded by the present value of the actually incurred costs even taking the adjustment condition set out in Section 8 (2) of Government Decree No. 206 of 2006 (16 October). In the case of major projects the support intensity under Section 30 (1) of Government Decree No. 85 of 2004 (19 April) established for the North Great Plains region is 100% of 50% for the portion between the HUF equivalent of EUR 50 to 100 million up to the HUF amount equivalent of a maximum of EUR 50 million at present value. In consideration of the above, the present value of the project's eligible costs for 2007 adjusted with support intensity is HUF 6,966,858 thousand.

Under the support contract mentioned above between 2008 and 2015 the Company received a total of HUF 1,383,799 thousand non-refundable State support, at a present value for 2008 of HUF 1,149,384 thousand.

According to the above formula the present value of the investment related tax relief is the difference of the two figures above (the allowed costs and the present value of the support) HUF 5,817,474 thousand of which the Company uses HUF 4,734,953 thousand at present value in the 2012, 2013 and 2015 business years. Thus the remaining tax relief open for subsequent years amounts to HUF 1,082,521 thousand at present value.

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

GEDEON RICHER PLC.

CONFIDENTIAL

Business Report 2015

Erik Bogsch
Managing Director

Budapest, 23 March 2016

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1. General data

1.1 Brief history of the Company

Chemical Works of Gedeon Richter Plc. (hereinafter Richter or Gedeon Richter Plc. or the Company) 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: 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. After World War II the Company was nationalized and while it continued operating as a share company, the sole shareholder was the Hungarian State. In June 1950, while maintaining Gedeon Richter Ltd. in terms of corporate law, the State established Richter Gyógyszer és Vegyészeti Gyár Nemzeti Vállalat (Richter National Pharmaceutical and Chemical Company), which later became known as Kőbányai Gyógyszerárugyár (Kőbánya Pharmaceutical Factory). It existed alongside Gedeon Richter Ltd. without affecting its operation.

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

Privatization

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

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

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

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

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

Major acquisitions to promote the expansion of the Company

Through the establishment of greenfield investments from the mid-1990s the parent company has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998) and Poland (2002). The Company

acquired a biotechnology firm in Germany (2007), then a gynaecological development company in Switzerland (2010).

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

With its place of business in Geneva, PregLem is a company established in 2006 for the purpose of research, development and clinical trials of proprietary products for special gynaecological indications (uterine myoma, endometriosis, infertility) that have reached the clinical stage. Of its active product lines, the leading product is Esmya with ulipristal acetate as active ingredient. According to Richter's announcement on 27 February 2012, Esmya had been granted marketing authorisation valid for all EU member states for its first indication (pre-operative treatment of uterine myoma) and was launched in most markets in the course of the year.

In 2014 in an extraordinary announcement Richter announced that the European Commission had granted marketing authorization for the use of Esmya for up to two courses of preoperative treatment of uterine fibroid (extension of the first indication). In keeping with its strategy, in June 2014 Richter signed a license and distribution agreement to commercialize ulipristal-acetate in Latin America.

In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted approval for the intermittent use of Esmya in the long term treatment of uterine fibroids in May 2015. The marketing authorization is applicable in all countries of the European Union.

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

In Q1 of 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. The company will be active in the promotion and marketing of prescription drugs. With this move Richter has strengthened its presence in the Chinese market. To expand its scope of business, in January 2016 Richter bought out its partner's 50% holding in the joint venture established in 2010 as a result of which the Company now has full control of distribution of oral contraceptives on the OTC line in China.

In the second half of 2013 Richter started to expand in the Central and South American region by founding a company in Colombia as a first step, followed by acquisitions in Brazil and Mexico. In May 2014 an agreement was signed for the acquisition of a majority stake in Mediplus N.V. registered in Curaçao. Mediplus is a marketing company covering Ecuador, Peru, Chile and Bolivia through its subsidiaries and also sells products to Central American and Caribbean countries. The acquisition process was concluded in October 2015 and resulted in Richter's holding 100% of the voting right 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 gynaecological portfolio is given a prominent role in every market.

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

With its global business comprising five continents, Gedeon Richter is unique among the Central Eastern European pharma companies as its primary activities of the research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. Our manufacturing subsidiaries, which operate in our traditional markets, together with our specialized

marketing network have created the foundation for a strong regional multinational Group. As a result of developments that started in the early 1990s today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.

In response to the economic crisis in Russia, in the late 1990s the Company has re-tailored its long-term strategic goals and has been aiming at strengthening its regional-multinational activities whilst maintaining stable positions in its traditional markets on the one hand, and strengthening its presence in the EU and the United States with proprietary and generic products, and has sought to build long-term co-operations in supplying active pharmaceutical ingredients. The primary focus of the Company is on the expansion of the gynaecological business and an increase in generic sales, the latter in preparation for upcoming patent expiries. In the United States we concluded long-term supply contracts with manufacturers specialized in gynaecological products.

Following the lines of the "speciality pharma" strategy developed in 2007, development, manufacture and sale of pharmaceutical products with high value added has become Richter's priority strategic goal. This goal is served by R&D projects conducted in connection with the central nervous system and in the field of biotechnology, and also by the ongoing development and expansion through acquisitions of the gynaecological portfolio.

Implementation of the above strategy resulted in a significant increase of sales income also in the EU markets. Income from sales increased likewise in the countries that have been Richter's traditional markets and joined the EU after 2004. The latter trend is particularly significant as drug subsidies in the new accession countries are generally underfinanced, which led the Company to reduce the price of some of its products. The 2014 Ukraine crisis and the massive devaluation of the rouble curbed the dynamic growth of the pharmaceutical market that had characterised the CIS region in recent years and resulted in plummeting sales revenues mainly in Russia and Ukraine. As a result of the new sales scheme Richter strengthened its position in the Western European and Chinese markets and due to acquisitions, also in the Central and South American region. The combined impact was the rising contribution of exports to total sales, approaching 90% in 2015 too.

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

After years of perpetual uncertainties and repeated cuts since 2006, the Hungarian pharmaceutical market was characterised by relative stability in 2015. The surtaxes affecting the pharmaceutical industry were offset up to 90% by the tax benefits the Company was granted on account of its R&D activities. While the semi-annual blind bidding process introduced in 2011 designed to force the pharma companies to cut their prices resulted in a loss of HUF 35-40 million in 2015, the Company was able to compensate for it by introducing new products and efficient marketing.

1.2 Main objectives for 2015

The Company's main objectives for 2015 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; to develop a new proprietary CNS (Central Nervous System) product; and to take further steps in the development of biosimilar products.

In 2015 significant advancement was achieved in the following areas:

- Sales revenues ascended significantly in the EU, in particular the EU15 member states, as well as in the U.S. and the Chinese markets.

- On 17 September 2015 Richter and Allergan were pleased to announce that FDA granted Allergan marketing authorization of cariprazine for the treatment of manic or mixed episodes of bipolar I disorder and schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of Vraylar™. Besides its long term positive financial impact this event has an obvious significance in terms of industrial history.

- According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem, a pharma company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids (myomas). In April 2015 the Committee for Medicinal Products for Human Use (CHMP) issued a positive opinion on Richter's request for an extension of indication, and following on this decision, the European Commission granted marketing authorization for the intermittent use of Esmya in the long term treatment of uterine fibroids applicable in all countries of the European Union Member States.

- Following the lines of the "specialty pharma" strategy developed in 2007, in 2015 Richter signed a license and distribution agreement with Bayer HealthCare to commercialize Bayer's transdermal contraceptive patch under the trade name Lisvy in the EU and some of the Latin-American countries. The product was introduced in a number of European markets in the course of the year. Moreover, Richter purchased exclusive license in Europe for Lenzetto, the estradiol spray for treating menopause symptoms manufactured by the Australian pharma company Acrux. Lenzetto has received multiple marketing approvals in several European countries.

- In December 2015 it was announced that the European Medicines Agency (EMA) had accepted Richter's regulatory submission for its proposed biosimilar to Amgen's Neulasta (pegfilgrastim). Earlier, in August 2015 Richter and Stada Arzneimittel AG signed a license and distribution agreement to commercialize the new biosimilar product. According to the agreement Stada will have non-exclusive rights to distribute the product in geographical Europe (excluding Russia), and Richter retains its right to distribution in any country of the world.

- In September 2014 Richter and Palatin Technologies, Inc. announced that they entered into a collaboration and license agreement to co-develop and commercialize bremelanotide for female sexual dysfunction indications in the European Union, other European countries and additional selected countries. Under the terms of the agreement, Palatin was entitled to a total upfront payment of USD 9.9 million and an additional USD 3.3 million once Phase III clinical trials started. In September 2015 Richter announced termination of the collaboration agreement by the parties' mutual consent. Richter

deemed that further clinical trials would have been necessary for the development, which, however, presented an excessively high risk over a successful outcome of the project.

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

- In 2015 Richter took further steps to expand its international business through a capital increase in its manufacturing companies and continuing its investments. Driven by the goal to adapt to Russian economic policy favouring local production, Richter made supporting investments into the Russian subsidiary a special priority. Details are described in Chapter 6: Foreign investment.

1.3 Share structure of the Company

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

As of 1 January 2015 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 2015.

As regards ownership structure, as of 31 December 2015, 68.00% of shares were held by foreign institutional and private investors, the Hungarian State held 25.25%, and Hungarian institutional and private investors held a total of 6.09%. Treasury shares together with 811,655 shares owned by subsidiaries amounted to 0.44%; the rate of other ownership was 0.22%.

The closing price of shares as of 30 December 2015 was HUF 5,498 compared to HUF 3,535 as of 30 December 2014. Average monthly share prices in 2015 moved between the minimum of HUF 3,563 per share (in January) and the maximum of HUF 5,410 per share (in December).

1.4 Treasury shares

	Ordinary shares	
	31.12. 2014	31.12.2015
Shares	3,699	101,371
Nominal value HUF'000	370	10,137
Book value HUF'000	12,743	549.820

Following the decision of the Board of Directors 750,295 ordinary shares were granted as a bonus to employees whose outstanding performance contributed to Richter's earnings for the year.

In keeping with the programme approved by the National Tax and Customs Administration of Hungary (NAV) related to employee share bonuses the Company granted 350,694 Treasury shares to 4,356 employees on 16 December 2015.

1.5 Corporate governance

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

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

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

No change was made regarding the composition of the Board of Directors at the AGM held on 28 April 2015.

On 20 May 2015 the Management announced that Sándor Kováts had passed away. Endre Pokomándi was appointed to the position. His employment was terminated on 19 October 2015. CEO Erik Bogsch supervises the Company's commercial activities until the appointment of a new director.

1.6 Branch

The sites of Gedeon Richter Plc. are as follows:
27 Esztergomi út, H-2510 Dorog
20 Medvefű utca, H-4031 Debrecen

1.7 Other information

In 2007 the Company commenced construction of a new plant in Debrecen to develop and manufacture biotechnology products, and announced its involvement of tax benefit with the contents set out in the relevant Government Decree. The investment that meets the condition in Section 22/B (1) b) of the Act on Corporate Tax and Dividend Tax was concluded in 2011 and all the equipment that formed part of the project was commissioned. The Company made use of the tax credit related to the investment project in the 2012 and 2013 business years. The unexpected economic troubles of 2014 (Ukraine crisis, devaluation of the rouble) had a negative impact on the Company's finances, therefore in 2014 it did not utilise the development related tax credit. Portion of the outstanding tax credit facility was again used in 2015.

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

2. 2015 operating review

2.1 The balance sheet as of 31 December 2015

ASSETS

The Company's assets amounted to HUF 737,067 million, HUF 30,716 million (4.3%) higher than the opening value. Fixed assets were up by HUF 15,154 million, current assets decreased by HUF 15,314 million.

Fixed assets

Intangible assets amounted to HUF 104,990 million in the reported period, 5.3% down from the reference figure. The HUF 4,984 million drop in valuable rights resulted from the termination of the license and cooperation agreement relating to bremelanotide.

The value of **tangible assets** was HUF 7,759 million above the reference year figure (+5.9 %). Assets in the course of construction (investments and renovation) are HUF 6,522 million above the opening figure. The growth results from the investment into the development of the new state-of-the-art freeze-drying unit and the injectables packaging plant.

Depreciation on tangibles and intangibles was HUF 22,536 million in 2015, HUF 457 million in excess of the 2014 figure.

As of 31 December 2015 the combined value of the Company's **financial investments** amounted to HUF 147,532 million including fair value, and rose by HUF 13,853 million

year-on-year. The change is mainly attributed to Richter's acquisition of the investment management business of its affiliated undertaking Gedeon Richter Investment Management Ltd. (a total of HUF +4,102 million), the combined reversed impairment and value adjustment due to the change in Protek's share prices (HUF +2,269 million), and Gedeon Richter Romania S.A.'s capital increase (HUF 697 million).

The reassessment of holdings as of the balance sheet date resulted in an increase of HUF 6,522 million.

The Company intends to held until maturity the in 2019 to Richter Treasury shares convertable bond, which is reported under long term bonds with a book value in 2015 of HUF 16,282 million.

The value of loans amounted to HUF 47,272 million and included predominantly loans extended to PregLem S.A., to our production companies, mainly to ZAO Gedeon Richter-RUS, Gedeon Richter Romania S.A., Richter-Helm BioTec GmbH & Co. KG, and the Indian subsidiary, as well as Pharmapolisz Kft.

Current assets

Inventories amounted to HUF 47,042 million, 4.8 % below the opening figure.

Receivables amounted to HUF 114,891 million, HUF 2,017 million less than the opening figure. Trade receivables were HUF 8,107 million down year-on-year. The closing balance of loans extended to affiliated undertakings and undertakings linked by participating interest is HUF 6,379 million higher year-on-year predominantly because of the loan items extended to Richter-Helm BioLogics, Pharmapolisz Kft., Gedeon Richter Romania S.A., and Gedeon Richter Aptyeka O.O.O. due within a year.

The value of **cash and securities** increased by HUF 15,178 million. The increase was linked to the one-off milestone income from Allergan (Forest Laboratories) related to the marketing authorization of cariprazine, reduced by EUR 46 million repayment of the Club loan and of the European Investment Bank credit, as well as the payment of the last portion of the deferred sales price of the PregLem acquisition (milestone payment).

As of 31 December 2015 the portfolio of securities held for trading contained government securities, and Other long-term investments contained units/shares in open-end investment funds.

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity

In 2015 **shareholders' equity** was 11.1% higher compared to the reference year and amounted to HUF 634,395 million; this is the impact of the balance sheet profit.

Liabilities

The Company's total liabilities amounted to HUF 89,070 million and include the **long-term liabilities** items of HUF 36,531 million, or EUR 116.7 million, drawdown to finance R&D, the effect of the settlement of liabilities in conjunction with the Chinese acquisition (HUF +5,308 million), and the price paid for the acquisition in South and Central America (Gedeon Richter Mexico S.A.P.I. de C.V.) reported at fair value (HUF 386 million). **Current liabilities** were HUF 23,898 million down and comprised HUF 30,814 million liabilities to suppliers and affiliated undertakings as the main item (HUF +6,074 million) including cash pool. Of the short-term borrowed capital, repayment liabilities due in the reported year in conjunction with the acquisitions in China and Mexico amounted to HUF 6,370 million.

2.2 The 2015 income statement

The Company's profit after taxes for 2015 was HUF 61,480 million, 221.8 %, or HUF 42,372 million, higher year-on-year. Besides a slight drop in sales, a more significant downturn in expenditure of research commissions should be noted, the latter due mainly to a shift of the clinical studies of cariprazine to 2016.

2.2.1 Income from sales

	2014 HUF million	2015 HUF million	Variance HUF million	Variance %
Hungary	31,855	33,939	2,084	6.5
Export				
CIS	122,562	109,275	-13,287	-10.8
EU *	87,395	91,983	4,588	5.2
USA	12,238	13,472	1,234	10.1
China	13,176	16,518	3,342	25.4
Latin America	4,296	3,749	-547	-12.7
Other countries	12,126	13,160	1,034	8.5
Export total	251,793	248,157	-3,636	-1.4
Total	283,648	282,096	-1,552	**-0.5**

* Excluding Hungary

Income from the 2015 domestic sales was 6.5% up compared to the reference year. Export in HUF was 1.4% down; and in EUR 1.7% down year-on-year.

Changes in the breakdown of export by regions in the reported year: the largest contributor continues to be the CIS, albeit with a smaller share (38.7 %) than in the reference year. The EU States increased 1.8 percentage points and contributed 32.6%; the contribution of China rose by 1.2 percentage points (5.9%). Latin American sales contributed 1.3% to total income from sales. the contribution of the United States and the cumulative category of Other countries was up by 0.5 and 0.4 percentage points respectively (4.8% and 4.7%). Income from domestic sales grew by 0.8 percentage points achieving 12.0%.

Based on the year-end figures for 2015 the Company realized HUF 33,939 million income from sales **in the domestic market**, 6.5% (HUF 2,084 million) more than in 2014. With this performance the Company's market share was 5.3% in 2015, 0.1% below the reference year's figure. Richter ranked second in the prescription drugs market with a share of 7.4%.

Turnover increased primarily as a result of rising sales of Esmya, Klion, Tanydon, Tanydon HCT, Scippa, Quamatel, Xeter and Kalmopyrin, dampened by falling sales income from Aktil,

Aflamin and oral contraceptives. In 2015 oral contraceptives were the leading item in terms of sales contributing 9.3% to sales income.

In 2015 no significant changes took place in terms of price regulations in the domestic pharmaceutical market. Pharmaceutical representatives' registration fee was reintroduced as of 15 February 2009 and cost Richter HUF 162 million in 2014 and HUF 219 million in 2015.

Income from **exports** decreased from HUF 251,793 million in 2014to HUF 248,157 million in 2015. In euro, income from exports was 1.7% down and amounted to EUR 801.3 million.

Russia continues to be the leading market of the **CIS region and also of the Company,** with turnover denominated in EUR 4.3 % below the reference year figure, also largely influenced by the massive devaluation of the rouble against the euro. Sales in rouble were 25.7% of RUB 3.4 million up. Denominated in rouble, sales of oral contraceptives, Mydocalm, Diroton, purchased Rosuvastatin and Voriconazole as well as Stopdiar increased; the increase was reduced by dropping Esmya, Cavinton and Airtal sales.

In Ukraine, euro denominated sales slumped by 51.7% or EUR 28.5 million; sales income from all products was down, most drastically that of Groprinosin and Verospiron.

EUR sales income from other CIS countries dropped by 5.3% of EUR 4.2 million. There was a significant slump in sales in Uzbekistan and Kyrgyzstan, offset to some extent by growing sales in Kazakhstan and Turkmenistan.

The total turnover achieved in the CIS market was HUF 109,275 million, 44.0% of total export. Year-on-year decrease was 10.8 % (HUF 13,287 million). Expressed in Forex, the turnover was EUR 352.9 million (USD 391.4 million) with a 11.1% decrease in EUR (25.9% in USD) year-on-year (y/y).

The turnover achieved in the **European Union** was HUF 91,983 million, 5.2% up year-on-year. The contribution of this region to total export was 37.1%. Expressed in Forex, the increase amounted to EUR 297.0 million with a 4.9% increase y/y.

Owing to the efficient promotion efforts of the Western European network of pharmaceutical representatives the Company's strategic product Esmya realised a significant sales increase, which greatly contributed to the overall 10.9% increase in the EU15 region.

On the other hand, the CEE Member States decreased their contribution to total sales in the EU region to approximately 48.7% in 2015 with a 0.8% drop in sales income in euro. The decrease is attributed primarily to the performance of Avonex in the Baltic states.

Sales in the **United States** increased by 10.1% (HUF 1,234 million), or, expressed in USD, by 8.3% (to USD 4.4 million) due primarily to a slump in the sales of oral contraceptives Prosterid.

Turnover in the **Chinese region** was HUF 16,518 million (EUR 53.3 million) and was HUF 3,342 million (or EUR 10.6 million) higher year-on-year. Increase in Cavinton sales was especially outstanding. The price difference compensation due to the strengthening of the yuan against the euro agreed on retrospectively is reported in the Sales income, and the exchange rate compensation is reported in the Other incomes.

Income from sales in **Latin America** experienced a 12.7% (expressed in dollar, a 27.6%) decrease and amounted to HUF 3,749 million (USD 13.4 million). The drop is attributed mainly to oral contraceptives. The contribution of this region to total export was 1.5 %.

In the category of **Other countries** oral contraceptives were the leading products. In the Other countries category the turnover was HUF 13,160 million (EUR 42.5 million). Compared to 2014, turnover was 8.5 % higher (in Forex, 8.4% higher). The contribution of this region to total export was 5.3%.

In 2015, net income from sales totalled HUF 282,096 million, a HUF 1,552 million less compared to the 2014 figure.

2.2.2 Direct and indirect costs of sales; operating profit

Aggregate direct and indirect costs of sales were HUF 9,445 million less year-on-year.

Direct costs of sales totalled HUF 59,579 million and were HUF 1,555 million below the 2014 figure due to falling sales and the change in the portfolio of products. Gross profit

from sales was HUF 222,517 million, HUF 3 million above the reference year figure with the gross margin up from 78.4 % to 78.9 %.

Indirect costs amounted to HUF 163,686 million in 2015, HUF 7,890 million below the 2014 figure.

- Payroll costs (wages and contributions) decreased by a total of HUF 3,137 million.

- Commission paid to agents dropped by HUF 1,284 million, due to plummeting sales in the CIS.
- Promotion costs were HUF 1,017 million up. Increasing costs resulting from the expansion of sales and marketing activities in the Chinese market and rising marketing costs in Western Europe were not offset by falling costs in the CIS region, Poland and the EU10 countries.
- Total foreign sales costs dropped by HUF 203 million y/y, which can mainly be attributed to the CIS region and also to the Company's activity in China. Besides these impacts there was a slight increase in Western European distribution costs.

- In 2015 there was a HUF 7,069 million downturn in income from research commissions due to a significant drop in expenditures on PregLem's projects, and a shift of the clinical studies of cariprazine to 2016. The bulk of these costs includes items related to R&D collaborations.

- Depreciation is HUF 731 million below the reference year's figure. The decrease is due to less capitalization compared to the reference year, hence significant items feature among assets in the course of construction. The drop was dampened by the capitalisation of valuable rights related to the contraceptive portfolio acquired from Grünenthal and to Esmya's launch on new markets as well as the first marketing authorizations of Lisvy.

The balance of Other income and expenditure improved and was HUF 1,536 million after the negative balance of HUF 10,974 million in 2014.
Significant contributors to the increase include milestone incomes (from Allergan in conjunction with securing marketing authorization for Vraylar™ in the United States, and

from Stada in connection with the development of biosimilar products), as well as the exchange rate compensation related to Chinese sales agreed on retrospectively. The above impacts were reinforced by lower allowances for customers and lower net expense balance of the provisions created and reversed for rebates compared to the reference year.

Conversely, amortization of intangible assets in excess of the reference figure had an opposite effect and was due mainly to the termination of the collaboration and license agreement relating to bremelanotide.
Claw-back in 2015 comprised payments related to the Hungarian, German, French, Spanish, Portuguese, Belgian, Italian, Bulgarian and Latvian markets totalling HUF 4,390 million.
In 2015, the change in the likelihood of payment of the deferred portion of the purchase price of PregLem and the deferred payment liability to our Chinese partner increased the Other expenditures.

The Company's *operating profit* was HUF 60,367 million, 51.1% up compared to 2014. After a 7.3 percentage point increase, the operating margin was 21.4%.

2.2.3 Other income statement items

Net financial income

Net financial income in 2015 was HUF 2,577 million profit as opposed to HUF 19,744 million loss in 2014.

In light of the changes during the reported year, Richter's financial income was greatly affected by the strengthening of the forint against the rouble and the euro, and the weakening of the forint against the dollar. As of the 2015 balance sheet date, the exchange rate (NBH rate) was 3.88 forints to the rouble (-12.8%), 313.12 forints to the euro (-0.6%), and 286.63 forints to the dollar (+10.6%).

Revaluation as of the balance sheet date closed with a loss in both 2014 (HUF 14,572 million) and 2015 (HUF 359 million), and contributed HUF 14,212 million to the increase of net financial income over 2014. The item includes revaluation of investments, loans

receivable, advances, cash, loans payable, trade receivables and payables, as well as as well as accrued and deferred items.

The Company made a profit on forward transactions amounting to HUF 57 million in 2014 and HUF 631 million in 2015.

In 2014 impairment of GR-Romania S.A., Protek, RG-Retea SR.L. and Pesti Sas Holding Kft. was accounted for (in the total value of HUF 8,350 million), and in 2015 the impairment reported on Protek was reversed (HUF 153 million).

Exchange rate losses realized from trade on receivables, payables and other items were HUF 2,935 million as opposed to a HUF 1,993 million loss in the preceding year. The aggregate gain contributed HUF 0.9 billion to a year-on-year decrease in earnings.

In 2015 the time value and exchange rate effects of the liability related to PregLem reduced the net financial income to a lesser extent (by HUF 572 million as opposed to HUF 1,948 million in the reference year).

Dividends received contributed HUF 1,002 million to the 2015 financial income, HUF 811 million less than the HUF 1,813 million achieved in 2014.

Exceptional items

The balance of exceptional items was HUF -697 million representing a HUF 384 million improvement over 2014.

Profit before taxes

The 2015 earnings before taxes amounted to HUF 62,247 million, HUF 43,108 million more than in 2014.

Taxes

In 2007 Richter notified its intend to take advantage of the tax credit in connection with the capital expenditure project to construct a new plant in Debrecen to develop and manufacture biotechnology products. The Company has so far taken advantage of the investment tax credit for the 2012 and 2013 year. The Company was not liable to pay

corporate tax for the 2014 business year, so it did not utilize the investment tax credit. Taking into consideration the investment tax credit, tax payable was HUF 767 million in 2015.

Profit after taxes

The Company's profit after taxes for 2015 was HUF 61,480 million compared to HUF 19,108 million in 2014.

2.2.4 Contribution of key products to sales revenues

Finished products contributed 92% to the 2015 sales revenues. The contribution of APIs (Active pharmaceutical ingredient) was 4%, sales of purchased materials was 3%, and royalties and services jointly contributed 1%.

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

2014				2015			
Rank		Sales MHUF	Share %	Rank		Sales MHUF	Share %
1	Oral contraceptives	81,981	28.9	1	Oral contraceptives	85,407	30.3
2	Cavinton/vinpocetine	24,866	8.8	2	Cavinton/vinpocetine	25,403	9.0
3	Panangin/asparaginates	15,300	5.4	3	Mydeton/tolperisone	15,339	5.4
4	Mydeton/tolperisone	15,057	5.3	4	Esmya /ulipristal acetate	14,995	5.3
5	Verospiron/ /spironolactone	12,710	4.5	5	Panangin/asparaginates	14,263	5.1
6	ACE inhibitors /enalapril, lisinopril	12,268	4.3	6	Verospiron/ /spironolactone	11,317	4.0
7	Esmya /ulipristal acetate	11,728	4.1	7	ACE inhibitors /enalapril, lisinopril	11,303	4.0
8	Lisonorm /lisinopril, amlodipine	9,234	3.3	8	Lisonorm /lisinopril, amlodipine	8,257	2.9
9	Aflamin/aceclofenac	7,983	2.8	9	Aflamin/aceclofenac	6,642	2.4
10	Quamatel/famotidine	7,454	2.6	10	Quamatel/famotidine	6,629	2.3
	Total	**198,581**	**70**		**Total**	**199,555**	**70.7**
	Net income from sales	*283,648*	*100*		*Net income from sales*	*282,096*	*100*

The contribution of the ten leading product categories to total sales was 70.7 %, almost identical with the reference year's figure.

Oral contraceptives are the leading products with a turnover of HUF 85.4 billion, 4.2% over the 2014 figure. The increase was the effect mainly of the rising turnover of Plan B contraceptive products, Dienogest and Drospirenone. The contribution of this product category to the 2015 total turnover was 30.3%, 1.4 percentage points above the reference year.

Richter's proprietary drug Cavinton is the second most important product with a slight y/y increase in turnover (rising sales in China exceeded lagging turnover in the Russian market). Mydeton is ranked third with a 5.4% market share. After finishing 7th in the reference year, Esmya was fourth in terms of turnover: income from Esmya sales was 27.9% up year-on-year as a result of keenly rising sales in Western Europe (Italy, France, Great Britain and Germany). Panangin was third in the reference year and slipped to 5th place in 2015 as a result of lagging sales in Russia and Ukraine. Verospiron and ACE inhibitors each lost a place and finished 6th and 7th respectively, also mainly because of the slump in turnover in Ukraine and Russia. Conversely, Lisonorm, Aflamin and Quamatel managed to retain their respective 8th, 9th and 10th place despite sluggish sales. The composition of the list of TOP 10 products did not changed compared to the reference year.

2.2.5 Contribution of key markets to sales revenues

In 2015 the Company's ten leading markets were as follows:

The Company's ten leading markets were as follows:		2015	
		HUF million	EUR million
1.	Russia	77,685	250.9
2.	Hungary	33,939	109.6
3.	Germany	16,688	53.9
4.	China	16,518	53.3
5.	Poland	14,664	47.4
6.	United States of America	13,472	43.5
7.	Ukraine	8,236	26.6
8.	Czech Republic	7,425	24.0
9.	Kazakhstan	7,124	23.0
10.	Great Britain	6,502	21.0
	Total	202,253	653.2
	Net income from sales	*282,096*	*910.9*

The ten leading countries jointly contributed 71.7 % to Richter's total sales.

Russian continues to head the list. Hungary kept its second place. Germany finished third. China advanced to fourth place thanks to increasing Cavinton sales and the strengthening of the yuan against the euro. Poland kept its fifth place, and the United States lost a place despite increasing sales income. Ukraine slipped from 4th to 7th place in the sales table due to a 51.6% dive in turnover. On the other hand, the Czech Republic and Kazakhstan kept their respective 8th and 9th place. Slovakia did not make it to the TOP 10 and yielded its place to the Great Britain among the leading markets.

3. Functional activities of the Company

3.1 Research and development

Innovation and the research of proprietary drug molecules have been key elements in the parent company's strategy since its foundation in 1901. Gedeon Richter Plc., the only Hungarian-based pharma company with R&D staff exceeding 1000, is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology, and generic research and development.

Small molecular R&D is focused on gynaecological products on the one hand, and molecules effective in treating CNS diseases on the other hand. Besides cariprazine one project is at the stage and the rest are in the early stages of research.

On 19 November 2012 Actavis Plc. (previously Forest Laboratories) submitted a new drug application (NDA) to the United States Food and Drug Administration (FDA) for cariprazine for the indications of schizophrenia and bipolar disorder. On 21 November 2013 the two companies announced that the FDA issued a so-called Complete Response Letter regarding registration, in which the Agency recognized the efficacy of cariprazine but required further information and data. In January 2015 Richter and Actavis announced that the FDA acknowledged receipt of the resubmitted New Drug Application (NDA). There were ongoing parallel clinical studies in the course of 2015 to expand the indications

and to penetrate the European and Japanese markets. On 17 September 2015 FDA granted approval of cariprazine for the treatment of manic or mixed episodes of bipolar I disorder and schizophrenia in adults. From the first quarter of 2016 the product will be sold in pharmacies of the United States under the trade name of Vraylar™. The clinical trials are in process with Richter's American partner Allergan (formerly Forest Laboratories, Inc.) as a result of which the product will hopefullybe grantesd marketing authorization for the treatment of other diseases such as major and bipolar depression.

As on of the world's leading manufacturers of steroid products, Richter has been traditionally strong in the gynaecological market. As a result of the acquisition of the Swiss company PregLem S.A. in 2010 the Group has also been active in gynaecological development primarily in the field of uterine myoma indications. According to Richter's announcement on 27 February 2012, Esmya, a proprietary product developed by PregLem S.A., a company solely owned by Richter had been granted marketing authorisation for the EU member states for its indication of pre-operative treatment of uterine fibroids. At the end of 2013 the EMA adopted a positive opinion regarding the use of Esmya to up to two courses of treatment. As a result, marketing authorization of the product extended for this indication was granted in January 2014. In May 2015 EMA extended marketing authorisation for its indication in the long term treatment of uterine fibroids. The extension is an opportunity for long term medication in the treatment of uterine fibroids and possibly helps to avoid surgical intervention.

In 2004 Richter launched its recombinant biotechnology R&D by creating a biotechnology research laboratory. In Germany Richter and Helm AG, Richter jointly acquired the predecessor Richter-Helm BioLogics GmbH & Co. KG in 2007, which develops and manufactures pharmaceuticals based on proteins derived by microbial biotechnology processes. Started in 2007, the construction of the Debrecen plant creating capacities for mammalian cell biotechnology based pharmaceutical manufacturing was concluded, the related assets were capitalized. Trial runs commenced in 2012, followed by production for clinical trials in 2014; thus, the most complex protein-based pharmaceuticals can be manufactured on a commercial scale. In the course of 2015 the last clinical trials of two biotechnology products, pegfilgrastim and teriparatide were successfully concluded and in the autumn regulatory applications for marketing authorization for both products were

submitted to EMA. Once authorization is granted, commercialization may start in 2017. Currently other biotechnology projects have reached the clinical trials stage.

As has been the case so far, the Company considers it essential to identify R&D partners for cooperation. We join forces with academic and university institutes, as well as athe Finnish firm Orion in the early stages of our research activities. Other partners from the pharmaceutical industry are involved primarily in the clinical phases. In this respect of R&D, partnerships with the Japanese Mitsubishi-Tanabe Pharmaceuticals and with Forest Laboratories (today Allergan) of the United States continue to make a considerable contribution to effective research activity aimed at new molecules. Development and distribution of biotechnology products is supported in Europe by Stada, and in Japan by Mochida in the context of cooperation agreements. In an effort to strengthen our gynaecological portfolio Richter has signed development collaboration agreements with several companies. In September 2015 the Company and Palatin Technologies, Inc. terminated by mutual consent the collaboration agreement executed in 2014 to co-develop and commercialize bremelanotide. Richter intends to expand the scope of collaborations in the coming years.

R&D expenditure was 12.3% of sales income in 2015 and amounted to HUF 34,608 million.

In order to initiate the European registration procedure for cariprazine relapse prevention had to be verified, and special trials were conducted to prove the product's efficacy in patient populations displaying predominantly negative symptoms. In both cases the clinical studies were concluded with a positive result and compilation of the regulatory submission for European registration was started in 2015.

The Company launched twelve proprietary products and six licensed products in 2015, all of which are new in the markets they are intended to be launched. The two most prominent licensed proprietary products are Lisvy, a transdermal contraceptive patch, and Lenzetto, the estradiol spray for treating menopause symptoms, both of which were launched in numerous EU Member States during 2015.

At the close of 2015 Richter had over 49 generic developments and 16 licence topics in progress. In the course of the year Richter had 45 licence renewals and maintenance projects; furthermore, support of original, biotechnology and transfer projects stayed at the reference year's level (20 projects in total). As biotechnology and proprietary development projects are conducted predominantly at the parent company, development sites of the subsidiaries have been appreciated as regards generic R&D (Gedeon Richter Romania S.A., Gedeon Richter Polska Sp. z o.o.). These companies undertake over a quarter of the generic R&D projects.

As a result of registration activities a total of 178 marketing authorizations were granted to Richter in 2015 in the EU, including Hungary (taking different dosage forms into consideration) with Lisvy and Lenzetto being of outstanding importance. Following substantial preparations regulatory submission of biosimilar teriparatide and pegfilgrasztim was a major task. In both cases centralized procedures were initiated according to plans. In this region 181 renewal applications were submitted, 152 were acquired by the Company, and 152 licenses were returned.

A total of 66 new authorizations and 305 renewal applications were submitted in the twelve CIS countries. Richter secured 36 new authorizations during the year.

In the Other Countries the Company submitted 72 new applications and 40 renewals in 2015. In the course of the year the Company secured 20 new authorizations and 42 renewals, and returned 17 licenses.

3.2 Quality assurance

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

In 2015 the main direction of the quality assurance effort was the continued upgrading of production processes in accordance with the current Good Manufacturing Practice cGMP (API and finished products), and quality assurance support to a number of ongoing investment projects (the Debrecen biotechnology project and the Dorog Steroid Plant).

Ensuring compliance with the Good Laboratory Practice (GLP) and IT GXP, as well as supporting quality management of the subsidiaries continues to be a priority task. In 2015 special emphasis was laid on enhancement of the quality assurance system focussed on the upgrading of production processes and improving their transparency, as well as on further development of the IT system, which is expected to start running in the first half of 2016.

Over the past year Richter was inspected on 18 occasions by its partners and five times by the competent supervisory authorities.

3.3 Production

Production in the manufacturing plants was in line with the amounts required by the market: the output of plants manufacturing semi-finished products dropped 3.7% and that of solid drugs by dropped 4% year-on-year. On the other hand, the amount of injectables manufactured was 7.4% higher than in the reference year.

The production value, at settlement price, of own-produced APIs for non-steroid products was up by 4% and for steroids, up by in 0.5% in 2015.

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

Inventories

As of the balance sheet date of 31 December 2015 the value of inventories was HUF 47,042 million, 4.8% above the opening balance.

The main reason for higher inventories is the low Q4 of 2014 levels of finished product stocks caused by customers' and wholesalers' conscious policy of reducing inventories.

3.4 Technology

In recent years the Company has developed a new procurement management system and separated special procurement tasks from the professional activities of the management of the various organizational units. In the new structure all machines, equipment, technological materials and general devices as well as some of the services are sourced centrally. The same applies to utilities such as natural gas, electricity and steam supply, as well as waste disposal. Similarly to the preceding year, optimization of centralized sourcing resulted in substantial savings on funds, capacities and time in 2015. In certain areas of sourcing the parent company and its subsidiaries cooperated successfully.
In 2015 Richter developed a uniform procurement policy along with unified Company-wide regulation of sourcing processes and the general terms and conditions of contracts.

3.4.1 Energy supply

Smooth energy supply ensured uninterrupted production throughout the year and met users' demand in terms of both quality and quantity. Implementation of specific tasks under the long-term energetics concept drawn up for Budapest and Dorog in previous years continued in 2015 with the upgrading of the refrigeration system, revamping the cooling water system and installation of a new deep-freeze plant.

Compared to the reference year, the volume of energy utilized in 2015 increased across the Company as a whole while energy prices decreased. The 0.4% increase in the costs emerged as the balance of 2.7% increase in energy use and 2.3% decrease in energy prices. Energy and water costs amounted to HUF 8.7 billion for the entire Company and included HUF 101.3 million energy and water load taxes.

3.4.2 Environmental protection, occupational health and safety

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

The 2015 audits of the Environmental Management System (KIR-ISO 14001) and the Occupational Safety and Health Management System (MEBIR-MSZ 28001) by the supervisory agencies, as well as the certification of the Safety and Environmental Labs were successful and proved that internal audits, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules and regulations.

In keeping with our commitment in the context of Corporate Social Responsibility, the trial run of the Environmental Management Systems started in Debrecen in 2015.

Environmental and security related expenditure were at the 2014 level in the reported period.

The Sustainability Report (2012-2013) issued in 2015 contains environmental information on foreign subsidiaries for the first time.

On 27 August 2015 a container exploded in the area of the Cooling Plant injuring two external workers, one of them seriously. The financial damage was not significant. In the wake of the findings of the internal investigation of the incident procedures were modified and measures have been taken to prevent similar events in the future. Besides the above incident there were no technology related fatal, serious or mass accidents in the course of the year of reporting, no notable deficiencies were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an ongoing basis.

The Budapest and the Dorog Safety Laboratories were successfully audited by the supervising authority, the National Accreditation Board.

Due to the changes in regulations relating to the control of major industrial accidents Richter re-classified the Dorog plant as an upper tier establishment. In this context the statutory Safety Report was submitted in 2015 and is expected to be approved in 2016. The Safety Analysis and Internal Control Plan of Budapest, a lower tier establishment, has been approved.

Water pollution, protection of water quality and noise management

The review and necessary repair of the waste water system in Budapest and Dorog was concluded according to plans. Implementation of the intervention plan to eliminate the contamination of soil and groundwater detected on the premises of the Vecsés warehouse has started in accordance with the order of the competent authority.

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

Waste management

In 2015 hazardous wastes were incinerated, deposited or composted. Waste has been collected selectively since 2012.In Debrecen the hazardous waste disposal facility has been completed. It had been designed to meet the demands of the extended operation envisioned.

After a 2.1% drop the costs of waste management amounted to HUF 886 million in 2015.

3.5 IT support

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

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

Similarly to the previous year, major Group level IT development took place in 2015, the most important achievements and events were as follows:

- A priority project for 2015 was the introduction of the latest version of SAP BW. In this context the entire authorization system has been revamped.

- The IT support to Quality Assurance which commenced in 2014 continued with several projects in progress.

- This year further development and upgrading to later versions of existing systems took place in several areas (research, finance).

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

4. Human resource

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

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

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

In 2014 Richter introduces a Professional Career System for its degree holder employees offering advancement for both current and newly joining staff. After gradual expansion the system will be rolled out from 2016 to include blue-collar staff and white-collar staff with secondary qualifications.

As of 31 December 2015 closing headcount was 6,628 including 4,940 persons employed in Hungary. Of the Hungarian closing headcount 2,559 work in white-collar positions including 1,969 university or college graduates.

5. Capital expenditure on tangibles and intangibles

In 2015 capital expenditure on tangible and intangible assets amounted to HUF 28,251 million and included HUF 20,155 million capitalization. Tangible assets in the course of construction amounted to HUF 18,592 million as of 31 December 2015.

The Company's main CAPEX areas in 2015 were as follows

Biotechnology

Richter spent a total of HUF 734 million on investments related to the biotechnology business in 2015. In addition to the ongoing development of the software controlling and monitoring the manufacturing process in the Debrecen Biotechnology Plant established to produce the APIs of strategic products based on biotechnology procedures some minor supplementary investments.

Production

The 2015 investments related to production plants amounted to HUF 16,631 million.
In the field of finished products manufacturing, project RGK VI was continueded; it envisions a greenfield development of a new, state-of-the-art freeze-drying unit, an injectables packaging plant, as well as high rack warehouses ancillary to these new facilities, and land for development purposes. The structure and exterior of the building have been completed; building installations and technological pipe fitting have reached an advances stage. In the Tablets Plant replacement of the false ceiling in the non-hormones coating unit has been completed. Plans for expanding the capacities of the hormones unit of the Packaging Plant had been drawn up and implementation has commenced.
In the field of API manufacturing, capex projects were basically aimed at maintaining production capacities and in some cases at upgrading the infrastructure serving production. In Dorog a very important, multi-year project is in progress in the Steroid Plant II to expand intermediate product and chromatography capacities. In 2015 after full replacement of the plant hall's internal steel structure the next stage was the installation of the reactors followed by technological fitting. The projects aimed at a closed system of measurement of liquid and solid materials and the separation of plant cooling systems were continued.

As regards API production in Budapest, installation of a modern vertical centrifuge in the Biological Plant II, continuation of the experimental line to process reactor contents, and Stage III of the works necessitated by more stringent GMP requirements at the finishing line of Chemical Plant I should be highlighted.

Production support

Investment projects related to production support amounted to HUF 3,301 million in 2015. In the context of environmental and safety projects the multi-year renovation of the wastewater system and the purification basins in Dorog was continued, and in Debrecen the hazardous waste disposal facility was constructed.

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

Energy supply related projects included the upgrading of the firmer AD engine room at headquarters in order to meet higher energy needs in the wake of the transformation of finished products manufacturing.

At the Dorog site conversion of the recirculating cooling water system was continued. Due to tightening quality assurance requirements related to API production a new purified water system has to be installed. In 2015 plans of the centre and the network were prepared.

In quality management instruments were purchased (in order to improve the conditions of quality control and reduce lead time of tests) with the deployment of more substantial amounts. The project aimed at expanding the capacities of the Quality Control labs has been completed.

R&D

In 2015 Richter deployed a total of HUF 931 million investment to maintain the level and quality of research and development. A significant portion of the investment was related to device and instrument purchase. In Budapest some of the pharmacological tests applied currently had to be relocated in a new building that is in conformity with tightening international regulations. Construction has been completed and the occupancy permit has been granted.

Licences and intangibles

The 2015 expenditure on licenses and other intangibles amounted to HUF 3,599 million and comprised expenditure on the acquisition of manufacturing and marketing rights (Estradiol, Lisvy/Bayer), as well as on new registrations and renewals.

Other

In 2015 Richter spent HUF 857 million on IT development supporting operation, and HUF 721 million on improving the conditions of the non-Hungarian distribution network.

6. Foreign investment

6.1. Pharmaceutical companies

Manufacturing companies

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

The distribution companies in the Romanian pharmaceutical market are still faced with prolonged liquidity problems and massive delays in payments by the National Health Insurance Funds. The difficulties of the Romanian pharma market have prevailed for several years; the list of subsidized products was reviewed after six years but most of the products launched at the end of 2014 have not yet been subsidized for administrative reasons. Due to the government's regulations to reduce prices, mounting competition and continuously increasing allowances the company. is faced with great challenges, therefore its domestic turnover declined yet again year-on-year. On the other hand, Group level turnover increased, including the Romanian retail segment.

The company's operating profit is positive due also to the fact that the claw-back tax was considerably lower in Q3 and Q4; however, the claw-back tax payment continues to be a significant burden on the subsidiary and greatly deteriorates the profitability of subsidized products as well.

In 2015 CAPEX projects deployed by the Romanian subsidiary relied primarily on the company's strategic projects supporting Gedeon Richter Romania S.A.'s role within the

Group. Mention should be made of the commissioning of a new production line in the solutions unit of the Galenic Formulations Plant in order to optimize batch sizes and increase capacities.

In the framework of the estradiol MDTS investment and technology transfer project, the first batch to be marketed was manufactured in 2015. The new Microbiology Laboratory was also constructed.

In 2015 the parent company increased the capital of its Romanian production company by RON 10 million cash which was passed on to its wholesale and retail companies through the holding company Armedica Trading S.R.L. The wholesalers and retailers used the funds to finance the loans provided by the parent company.

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

Richter's Polish production subsidiary, Gedeon Richter Polska Sp. z o. o. is also responsible for Richter Group's registration, pharmacovigilance and PR activities in Poland. The restructuring and efficiency enhancement measures implemented in the framework of the Lichtenberg project concluded in 2015 gave rise to an undertaking with a stable background, a clear-cut organisational structure and a consolidated staff of 452.

The efficiency of the company is continuously improving. The subsidiary offering outsourced production and development services has grown to be a strategically highly important site for the Group. Efficient support by the Polish marketing subsidiary contributed to the substantial increase in the commercialization of proprietary products in 2015.

In the 2015 business year the company's sales income exceeded expectations and was 10% above the reference year figure despite the keen competition characterizing the Polish market. Total income from sales was PLN 222 million due primarily to outstandingly high Groprinosin sales.

The 2015 performance of Richter's Russian manufacturing company, **ZAO Gedeon Richter-RUS** continued to be strongly affected by the negative impacts of the Ukraine-Russia conflict on the Russian economy. It is difficult to make projections as to the company's performance because of the volatile environment. Nevertheless the company managed to increase its euro-denominated sales income despite the considerable weakening of the rouble.

The company's main function will continue to be production and distribution supported by the parent company's marketing activity. It launched an increasing number of proprietary products in the market and, based on the parent company's orders, expanded its portfolio by adding products manufactured to other markets focusing mainly on CIS countries.
The company financed its 2015 capital expenditure from its own resources which were supplemented by converting liabilities to the parent company to long term loans.

In 2015 **Richter Themis Ltd.** continued to be active as a manufacturer and distributor of intermediate products and APIs (Active pharmaceutical ingredient) mostly for Group members. There were only minor changes in the portfolio of products compared to the reference year; the company managed to make up for the products dropped from the portfolio by adding new APIs, thus its production capacities were fully utilized throughout the year. In addition, it also supplied a considerable amount of products to external buyers.
In addition to API production the company is also active in development. Production and development are economical, so the company enhances the cost effectiveness of the Group's API production.

In biotechnology services **Richter-Helm BioLogics** GmbH & Co's turnover in 2015 was above the reference year figure and achieved sales exceeding forecasts. The microbial biotechnology company is engaged partly in sourced development and partly in production; intra-Group development is a significant aspect of its activity but its external relations are also expanding. In October 2014 the company was granted an FDA approval, which boosted 2015 sales income from the USA market (EUR 3.6 million). The company's profitability has improved considerably over the past years and closed its business year with substantial earnings.

In 2015 **PregLem S.A.** continued to support the European marketing of Esmya, the gynaecological product with ulipristal acetate as its active ingredient. In addition, R&D continues to be a key activity for the company with the development of Esmya's indications being top priority.

As a result of the volatile situation and high exposire in Ukraine decision has been taken to discontinue the project related to **GRUA P.A.T.**'s production facilities so far out of operation. The decision was made after the planning had been concluded and the requisite

permits and licenses acquired. The company is in possession of valid implementation documentation approved by the relevant authorities; the initial period of validity is two years and can normally be extended.

Other consolidated companies providing sales and marketing services for the pharmaceutical segment:

In 2011 the scope of activities of the subsidiaries **Gedeon Richter Iberica S.A.U.** of Spain, **Gedeon Richter Italia S.R.L.** of Italy and **Gedeon Richter Pharma GmbH** of Germany was expanded by marketing. Besides marketing and PR services these companies are also engaged in so-called pre-distribution activities. In 2015 the companies continued to develop the network of gynaecological pharma representatives in Western Europe and to maintain its efficiency on a continuous basis. With the addition of the strategic product Esmya sales of the portfolio steadily increased throughout the reported year.

To promote marketing Richter established a subsidiary each in Switzerland (**Gedeon Richter (Schweiz) AG**), Portugal (**Gedeon Richter Portugal, Unipessoal Lda.**) and Austria (**Gedeon Richter Austria GmbH**). In 2012 Richter expanded in Belgium, the Netherlands and Luxemburg (**Gedeon Richter Benelux SPRL**) as well as in the Nordic countries (**Gedeon Richter Nordics AB**), and involved its already existing British and French **companies** (**Gedeon Richter UK Ltd.** and **Gedeon Richter France S.AR.I.**) in the network. The portfolio of the network developed in the course of 2015 continued to expand by other gynaecological products and in some countries by the strategic product Esmya.

In the case of **Gedeon Richter Marketing Polska Sp.z o.o.** 2015 was the first full year after the efficiency enhancing restructuring implemented. Restructuring resulted in stable turnover, reduced costs and significantly improved per capita performance. By utilizing its available resources more efficiently the company continued to carry out successful marketing in the territory of Poland for both of its shareholders, Gedeon Richter Plc. and Gedeon Richter Polska Sp. z o. o.

After transforming its Polish agency into a subsidiary, the parent company decided to make a similar move in 2010 in the Czech Republic and Slovakia, and transformed its agents into **Gedeon Richter Marketing ČR s.r.o.** and **Gedeon Richter Slovakia s.r.o.** respectively. Richter also established **Gedeon Richter Slovenija, trženje, d.o.o.**, its subsidiary in

Slovenia at the end of 2011. This was followed by the establishment, at the end of 2013, of a Croatian subsidiary **Gedeon Richter Croatia d.o.o.** The Czech, Slovak, Slovenian and Croatian companies support the sales of Richter products through marketing and PR and by operating efficient networks of representatives. The companies operate on a basis of invoicing costs plus margin, which ensures cost coverage and stable liquidity on a continuous basis.

In 2015 **Gedeon Richter (China) Pharmaceuticals Co. Ltd.** again delivered the expected results despite the widely varied sales performance of the promoted products. Future expansion of the portfolio is highly needed and recent developments in China in respect of expediting the approval process for registration give cause for optimism. In January 2016 the group undertaking selling and marketing the OTC products was fully bought out.

Active in promotional purchases, storage and distribution, Moscow based **Pharmarichter O.O.O.** proved to be a high-performing company in 2015 in both technical and financial terms.

The Kazakh economy was hit hard by the drastic drop of the price of oil, its number one export product. As a result of the continued downward slide of oil prices the exchange rate of the Kazakh national currency, the tenge fell to a historical low in 2015. On 20 August 2015 the National Bank of Kazakhstan decided to float the KZT, which meant the lifting of the margins. Introduced in July, invoicing in tenge was intended to offset currency conversion related exchange rate losses incurred by Richter Group's exclusive Kazakh importer, **Gedeon Richter KZ L.L.P.**

The core business of **Richter-Helm BioTec GmbH & Co. KG** has been project management and business development in the field of microbial biotechnology over the past years, focusing on Group projects as well as external business development. The 2015 performance of the company was in keeping with expectations.

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

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

As a first step of expansion in Central and South America started in the second half of 2013, the parent company established a company in Colombia named **Gedeon Richter Colombia S.A.S.**, with the main function to provide marketing and registration related services for the introduction of Richter's products in the region. Securing the necessary registrations and authorizations started in 2015.

In 2015 in Mexico Richter holds an 80% voting right in **Gedeon Richter Mexico SAPI de CV.**. Sales by the Mexican company were even and balanced in the course of 2015; its income from sales was up to expectations and showed an upward trend month by month compared to the reference year. Securing the regulatory authorizations required for registration is in process. Gradual devaluation of the Mexican peso dampens the otherwise successful company's performance.

Richter has a 51% share in the Brazilian company **Gedeon Richter do Brasil Importadora Exportadora e Distribuidora SA** which continued its marketing and registration related activities in 2015 in addition to commercialization of the existing portfolio of products. In the course of 2015 shareholders of the Brazilian company carried out a capital increase of BRL 1,319,670 in order to tackle financial problems stemming from volatile sales.

In May 2014 Richter signed an acquisition agreement in respect of **Mediplus N.V.**, which resulted in holdings in Curaçao, Bolivia, Chile, Peru and Ecuador and strengthens Richter's penetration in Latin America. In 2015 Richter became the sole shareholder of Mediplus Group. Simultaneously with the acquisition expansion of the portfolio of Richter's products sold in the region continued.

6.2. Wholesale and retail

Romania

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

The Hungarian parent company developed a full-fledged vertical sales network in Romania with the companies owned by Armedica as endpoints. The two outlets continues to play an

important role in implementing the strategic goals of the Romanian and Hungarian parents, predominantly in the distribution of the Group's finished products.

The Group's wholesale company in Romania is **Pharmafarm S.A.** In 2015 the company changed its trading policy, and as a result it closed the year with a substantial increase in sales income as well as margin. The company maintained its cost containment and its strong and balanced customer management, inventories and sourcing policies. All these measures resulted in lower allowance on customers and a positive operating profit. As a result of improving cooperation Pharmafarm S.A. is becoming increasingly important as Gedeon Richter Farmacia S.A.'s supplier.

Gedeon Richter Farmacia S.A. is the Romanian group's retail company. In an effort to improve efficiency by streamlining GRFA S.A.'s portfolio some pharmacy licenses were sold. In December 2015 the retail chain consisted of 91 functioning pharmacies. In keeping with the reduced number of retail units the company's 2015 income was below the reference year figure. There are still loss generating pharmacies, therefore in 2015 further impairment was reported on the licences of pharmacies owned by Gedeon Richter Farmacia S.A.

Ukraine and the CIS

The only activity of **Gedeon Richter Ukrfarm O.O.O.**, Richter's fully owned Ukrainian subsidiary is to operate the Kiev headquarters owned by Gedeon Richter Group.

In the Moldovan pharmaceutical market the presence of Hungarian pharma companies has become a dominant feature as Richter has secured outstanding market shares for years. Thanks to Richter's Moldovan agency and the excellent and successful cooperation of the retail and wholesale companies customers' needs in Moldova are fully met. Sales of Richter's products are efficiently supported by **Richpangalfarma S.R.L.**, a key player in the pharmaceutical wholesale market since 1996 in which Richter holds a 65% stake. As regulations relating to storage and warehousing of pharmaceutical products had been tightened in Moldova the company secured an official license and pursues its activities in accordance with GDP (Good Documentation Practice) rules and statutory provisions and with ongoing quality control. On 18 February 2015 a capital increase was entered in the register of companies.

On 1st October 2015 the amended bill on margins entered into effect in Moldova; accordingly, five price categories were introduced and a ceiling on the margin was imposed on trading companies. Having established a wider group of loyal customers, with its network of 40 outlets **GR–Retea Farmaceutica S.R.L.** closed the year with a reliable and solid performance.

Richter's wholesale and retail holdings in Armenia have scored major progress and achieved a significant performance in 2015. The wholesale subsidiary **Richter-Lambron O.O.O.** made a successful appearance in the market of third-party products. As a result, it expanded its network of suppliers and costumers and its figures achieved considerable growth. This contributed to the company's further reinforcement of its position among the top players in the market.

The subsidiary **Gedeon Richter Aptyeka Sp O.O.O.** expanded its network to include 25 pharmacies by the end of 2015 and continued to increase sales and earnings. It promotes the parent company's market share.

The performance of the two wholesale companies with Richter's majority share operating in *Jamaica* (**Medimpex Jamaica Ltd.** and **Medimpex West Indies Ltd.**) resulted in a steadily improving turnover. As a result of the wholesalers' activities Richter managed to step up the distribution of its products in the region in 2015. On the negative side, successful operation is hampered by the devaluation of the Jamaican dollar against the U.S. dollar.

There was no change in the *domestic* wholesale share: the parent company continues to be a shareholder of the biggest pharmaceutical distributor in Hungary.
As a result of steps taken in previous years to enhance efficiency, **Hungaropharma Zrt.** continued to improve its earnings in 2015. Richter directly holds 30.68% of the company's shares.

6.3. Other consolidated companies

There has been no change in the profiles of the other consolidated companies of Richter Group (engineering, real estate management, quality control, transportation, etc.); they provided continuous support fully in line with expectations and with good performance throughout 2015. Operation of these affiliated undertakings is focused predominantly to Hungary.

Richter's undertakings in this segment with foreign sites continue to be dormant.

The management's decision, at the end of 2014, on the transfer of the investment management business of **Richter Gedeon Befektetéskezelő Kft.** to Richter was carried out in 2015.

7. Risk management

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

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

Strategic risks

Risk	Description	Key risk management methods
Macroeconomic Factors	The impact of changes in macroeconomic factors affecting the Company's markets with special regard to the deterioration of solvency due to the Russia-Ukraine crisis and falling oil prices	- Monitoring changes in major macroeconomic factors, incorporating their effects into the planning - Tightening cost management and customer relations - Flexible utilisation of local production capacities
Competition and Pricing	The impact on the Company's market position and results of the decreasing prices resulting from mounting generic competition	- Identifying competitive advantages - Focusing on new proprietary and value added products - Launching new generic products - Regularly performed industry and competitor assessment and effectiveness analysis
Healthcare Budget	Potential impact of negative changes in the healthcare budget and regulation (price cuts, subsidy cuts and protracted procedure to accept subsidy applications)	- Regular analysis of market environment, monitoring changes in the legal and pharmaceutical subsidy system - Communication with authorities - Cost management adaptation

Operational risks

Risk	Description	Key risk management methods
Original and biosimilar R&D	Risk attached to the success of proprietary research and of the development and manufacturing of biosimilar products	- Focusing original research on CNS and gynaecology lines - Determining milestones of original research and biosimilar development - Assessment of programs and decision-making according to international standards with the involvement of advisory bodies and international experts - Involvement of collaborating partners to reduce risk and ensure co-financing
The complexity of the Group's activities is increasing, more diversified markets	Risks related to the development of specialized sales and marketing support network of gynaecological products in Western Europe, China and Latin America	- Company-level projects for the acquired gynaecological portfolio and the coordination of the launch of Esmya - Strengthening market positions and the marketing network in Western Europe - Developing the Company's own marketing network in Latin America - Increasing stakes in Chinese and Latin American holdings
Qualified workforce	Risk relating to retention of employees in key positions and ensuring qualified workforce	- Periodic revision of HR strategy - Training plans, career and succession programs - Incentive and performance assessment system - Determination of optimal headcount - Staff replacement to improve quality; retention of staff performing high-quality work

Compliance risks

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

Financial risks

Risk	Description	Key risk management methods
Credit and Collections	Risk relating to collection of cash and receivables from customers Region-specific risks related to customers	- Customer rating - Establishing payment terms and credit limits - Regular review of receivables - Insurance of CIS customers' credits with MEHIB
Foreign Exchange Rate	Exchange rates of priority currencies Exchange rate risk management in the changing currency structure	- Calculating annual open FX positions and monitoring key FX rates - Natural hedging through FX loans - Forward currency transactions only in exceptional cases
Capital Structure, Cash Management and Financial Investment	Risk related to the management of the Company's cash needs and cash funds Maintaining security of funding besides acquisition expenditure	- Developing and monitoring cash-flow plans - Financial Investment Rules to manage investment risk - Introduction of a Cash Pool system

8. Post-balance sheet date events

On 4 January 2016 Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for the proposed biosimilar to Eli Lilly's Forteo (teriparatide). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. According to the relevant license agreements, biosimilar teriparatide is expected to be launched under both Richter-Helm BioTec GmbH & Co. and Stada labels in geographical Europe following the patent expiry of the original product.

On 18 January 2016 Richter announced that Dr. Csaba Polacsek resigned from his membership in the Company's Board of Directors due to a conflict of interest consequent to a change in his employment position.

In December 2010 Richter announced the foundation of Gedeon Richter Rxmidas Joint Venture Co. Ltd. with an initial equity share of 50%. On 22 January 2016 it was announced that Richter acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in the joint venture company. Consequently, with its 100% holding Richter will be in full charge of its contraceptive and OTC business in China.

On 10 March 2016 Mr Péter Szijjártó, Minister of Foreign Affairs and Trade announced on a press conference that the Government would provide approximately HUF 5 billion state subsidy in accordance with EKD programme. This government grant relates to capital expenditure program of Richter - worth HUF 15 billion - to expand its capacities of biosimilar development and manufacturing in Debrecen.

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

9. Future outlook

Retaining and strengthening the Company's position in the Hungarian and the traditional markets (CIS, Central and Eastern Europe) despite increasingly difficult environment

whose problems fall hard on the entire pharmaceutical industry (price erosion, tightening subsidies and price control) continue to feature among Richter's strategic goals.

In an attempt to offset the dire consequences of the Russia-Ukraine political crisis going back to 2014, the devaluation of the rouble and other CIS currencies, and to slipping Ukrainian pharmaceutical market the Company introduces cost-cutting measures that will affect all areas of operation.

The Company focuses on strengthening its presence in, and stepping up exports to, European Union, primarily in the EU15, and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development collaboration 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 striving to secure direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region).

The success of proprietary research and development aimed at CNS products is crucial for Richter's future and for strengthening its market positions. The second pillar of the specialty strategy in the expansion of the gynaecological portfolio. The future added value from the gynaecological portfolio purchased in 2010 from Grünenthal, coupled with Esmya resulting from the Swiss acquisition will boost the Company's niche: gynaecology, which is best supported by the units operating in the traditional markets and the newly established Western European sales network. The Company's ongoing objective is to achieve faster growth in its special niche of oral contraceptives and steroid-based gynaecological products than total sales growth resulting in a greater contribution to annual turnover. As of 2012 the line was completed with Richter's proprietary product Esmya.
The third pillar of the Company's specialty strategy is the development of biosimilar products and the high-value investment to create the conditions for their manufacture.
Besides the above, Richter is striving to exploit the opportunities provided by the portfolio of traditional products to a maximum extent.

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

6.

Report of the statutory Auditor

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gedeon Richter Plc.

Report on the financial statements

We have audited the accompanying financial statements of Gedeon Richter Plc. ("the Company") which comprise the balance sheet as of 31 December 2015 (in which the balance sheet total is MHUF 737,067, the profit per balance sheet is MHUF 61,480), the related profit and loss account for the year then ended, and the notes to the financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Gedeon Richter Plc. as of 31 December 2015, and of the results of its operations for the year then ended in accordance with the provisions of the Accounting Act.

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Other Matters

We draw attention to the fact that the attached financial statements have been prepared for the consideration of the shareholders at the forthcoming General Meeting and, as such, do not reflect the effects, if any, of resolutions that might be adopted at that meeting. Our opinion is not qualified in respect of this matter.

Other reporting requirements regarding the business report

We have examined the accompanying business report of Gedeon Richter Plc. ("the Company") for the financial year of 2015.

Management is responsible for the preparation of the business report in accordance with the provision of the Accounting Act. Our responsibility is to assess whether or not the accounting information disclosed in the business report is consistent with that contained in the financial statements. Our work in respect of the business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion the 2015 business report is consistent with the disclosures in the financial statements as of 31 December 2015.

Budapest, 23 March 2016

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

Szabados Szilvia
Statutory auditor
Licence number: 005314

Note:

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

7.

Report of the Supervisory Board including the report of the Audit Board

The Supervisory Board of
Gedeon Richter Plc.

REPORT

to the 2016 Annual General Meeting of Gedeon Richter Plc.

Budapest, 23 March 2016

Table of Contents

1. Report on the Supervisory Board's work for the year

1. 1. Brief presentation of the work performed by Supervisory Board in the year 2015

As in previous years, in 2015 the Supervisory Board (hereinafter: SB) worked in compliance with the provisions of the Hungarian civil Code and the Statutes of Gedeon Richter Plc. (hereinafter: the Company), following its rules of procedure and work plan.
The former SB members' three-year mandate expired at the time of the 2015 AGM. Upon the proposal of the Board of Directors the Annual General Meeting held on 28 April 2015 re-elected the independent members of the SB, Dr. Attila Chikán, Dr. Jonathán Róbert Bedros and Mrs. Tamásné Méhész for another three-year term. There was also a change in employees' representatives. Following the nomination of the Works Council and the proposal of the Board of Directors the Annual General Assembly elected Klára Kovácsné Csikós and Dr. Éva Kovácsné Kozsda for a term of three years. At its inauguration meeting the new SB again elected Dr. Attila Chikán to serve as chairman.
The SB proceeded in accordance with its Rules of Procedure. In addition to discharging its duties in keeping with the relevant statutory provisions the SB worked in the areas identified in its regularly updated annual work plan determined for the period between AGMs. It discussed the subjects on its agenda.
It held ten meetings in the interval between the Annual General Meetings. All the meetings convened had a quorum, and none of the meetings previously scheduled and announced were cancelled; some of the items on the agenda were reshuffled. The SB's Rules of Procedure allow adaptation to the changing economic environment and flexible management of the changes in the Company and its business – a possibility which the SB fully utilized.
Pursuant to the relevant legal regulations, the Company's Statutes and the Corporate Governance Recommendations of the Budapest Stock Exchange, the key responsibility of the SB as a body of ownership control is to supervise the Company's finances and to examine the risk factors affecting it. By doing so, the SB wishes to help the owners form a judgement of the Executive Management's performance.
The SB finds that during its operation it has never encountered any actions that were in conflict with legal regulations, the Company's Statutes or any AGM Regulation, or with the Company's and the shareholders' interests.
It is to be noted that the Executive Management helped the supervisory activity of the SB in every possible way by providing the requested information in time and fulfilling its statutory obligation under the Companies Act to disclose information regularly. The Executive Management provided all the conditions required for the SB's undisturbed operation.
In addition to overseeing the Company's finance, the Supervisory board also discussed the Company's and Richter Group's annual Business Plan and the issues affecting their future in the short and long run. It also attached high priority to looking at the main actions that would have to be taken to implement such long term goals.

1. 1. 1. Key issues discussed by the Supervisory Board in 2015

In compliance with the legal regulations, the SB discussed each of the quarterly reports and achievements. It also deliberated on all the significant documents and business policy reports that had been submitted to the AGM. It also discussed the Company's and Richter Group's Business Plan for 2016 (including the Consolidated Business Plan), as well as the Interim Balance Sheet of 31.08.2015, the 2015 Financial Statements and the Consolidated Annual Report, the Report on Corporate Governance, the Auditor's Report and the annual report by the Audit Committee.
While discussing the quarterly reports, CEO Mr. Erik Bogsch and Deputy CEO Dr. Gábor Gulácsi gave an account of not only the relevant past events but also outlined the challenges that the Company would have to face amidst the current economic environment. Assessment of the risks associated with economic events and the Company's responses were highlighted on several occasions. The SB found that the reports and accounts were informative and of a high standard, and acknowledged them.

In accordance with its work plan prepared for the period between the AGMs, among the many issues that affect the Company's efficiency and future in the short and long run, in 2015 the SB discussed the following issues: Education and training activities, training of potential management successors; IT systems, their operation and priority development tasks; Competition in the markets of gynaecological products; Improvement of the efficiency of sourcing, review of internal order or request procedures and organizational hierarchies; Current status and future of API manufacturing, changes in the portfolio of products (Budapest, Dorog); Current issues, achievements and future tasks of risk assessment; Activities of the Audit Department; Assessment of the 2015 CAPEX activities with special regard to priority projects; The Company's strategic goals.

Preparation and presentation of the topics was of a high standard; in terms of their content, they supported trustworthy assessment of the situation and drawing reliable conclusions. Having listened to the presentations the SB discussed and evaluated the proposals in detail. Responses to the questions were acknowledged and the proposals were approved and the related resolutions were passed, taking into consideration the evaluations and proposals. Some of the topics discussed will be presented in more detail in Section 1.2.1.

The Chairman of the SB personally attended the Board of Directors meetings, therefore the SB was always represented.

1. 1. 2. Presentation of the Audit Committee's operation

Pursuant to Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Annual General Meeting elected the Audit Committee (hereinafter: AC) consisting of three members from among the independent members of the SB.
The AC determined its Rules of Procedure in compliance with the provisions of Section 3:291 of the Civil Code, Section 3:289 of the Civil Code on corporate governance, and Article 16 of the Company Statues.

Under the Civil Code and the Company's Statutes, the competence of the AC includes the following:

- to give an opinion on the annual report prepared pursuant to the Accounting Act,
- to monitor the audits of the annual report prepared pursuant to the Accounting Act,
- to make a recommendation concerning the person and remuneration of the auditor,
- to prepare the contract to be concluded with the auditor,
- to monitor and implement professional requirements and conflict of interest in respect of the auditor,
- to perform duties related to cooperation with the auditor,
- to evaluate the functioning of the financial reporting system,
- to assist the Board of Directors and the Supervisory Board so as to exercise proper control of the financial reporting system.

In the period since the last AGM the AC discussed and resolved on the following topics:

1. Discussion and approval of the Interim Balance Sheet and Auditor's Report dated 31 August 2015.
2. Acquiring information about the Company's steps taken to improve the efficiency of sourcing and about the review of internal order procedures and organizational hierarchies;
3. Discussion and approval of the Report on Corporate Governance.
4. Discussion and approval of the 2015 financial statements, operating report, and the Independent Auditor's Report.
5. Discussion and approval of Richter Group's 2015 consolidated financial statements, operating report, and the Independent Auditor's Report.
6. Discussion and approval of the report to the SB on the AC's activities in 2015.

All AC meetings were attended by all AC members and the meetings had a quorum at all times. None of the meetings previously scheduled and announced were ever cancelled.
Some of the issued discussed and debated by the AC are also discussed and approved by the Supervisory Board under its Rules of Procedure. Such issues include the Annual Financial Reports (Corporate and Consolidated), the related Auditor's Reports and the Interim Balance Sheet and the related Auditor's Report. Considering that the same persons are responsible for presenting such reports, it was deemed expedient and practical to discuss them in a joint meeting with the SB.

1. 2. Brief evaluation of the Company's performance in 2015 and feedback on the Board of Directors' Report to the Annual General Meeting

The Company's main objectives for 2015 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the gynaecological business; to develop a new original CNS product; and to take further steps in the development of biosimilar products.

The Company made great efforts to achieve these objectives as a result of which in 2015 significant advancement was made in, but not limited to, the following areas:
- Sales revenues ascended significantly in the EU, in particular the EU15 member states, as well as in the U.S. and the Chinese markets.
On 17 September 2015 the FDA granted marketing authorization, for the United States, of the new CNS proprietary product with cariprazine as the active ingredient. Besides its long term positive financial impact this event has an obvious significance in terms of industrial history.
In May 2015 the European Commission granted marketing authorization for the intermittent use of the Company's proprietary product Esmya in the long term management of uterine fibroids applicable in all of the EU Member States. Introduction of the product has been started.
Following the lines of the "specialty pharma" strategy, Richter signed a license and distribution agreement with Bayer to commercialize Bayer's transdermal contraceptive patch Lisvy (introduction ongoing), and purchased an exclusive license from Acrux for the manufacturing and commercialization of Lenzetto, a product for treating menopause symptoms. Lenzetto has been granted marketing approvals in several European countries;
In December 2015 the EMA accepted the Company's regulatory submission for its biosimilar pegfilgrastim. A license and distribution agreement has been signed with Stada to commercialize the product.
The Company signed a collaboration agreement with its partner Evestra for the research of gynaecological products.
Richter intended to expand its international business through a capital increase in its manufacturing companies and through continued capital investment (with special regard to the Russian subsidiary).

The Company's earnings for 2015:

The Company's after-tax profit was HUF 61,480 million 221.8% higher year-on-year.
The Russia-Ukraine crisis that started in 2014 and the massive devaluation of the rouble resulted in plummeting sales revenues in Russia and Ukraine; however, this was offset to a large extent by rising sales in the EU15 countries, the United States and China, as well as by the strengthening of the dollar and the yuan against the forint and the euro. This significant increase is attributed to the one-off significant milestone incomes (approval of cariprazine by the FDA), and lessening sales and marketing and R&D costs (the latter due mainly to a shift of the clinical studies to 2016).
The Company's income from sales in the domestic market increased by 6.5%, and its market share, by 5.3%. The Company is ranked second in the prescription drugs market with oral contraceptives being the most important contributor to sales.
Turnover of the CIS region contributes 44.0% to export. Income from sales slipped 10.8% in 2015, the main reason being the massive devaluation of the rouble and the escalating Ukraine crisis. Despite declining sales income denominated in euros Russia continues to the Company's most important export market with sales in roubles increasing by 25.7%.
The sales income achieved in the European Union increased by 5.2% in HUF and 4.9% in EUR terms. The contribution of this region to total export was 37.1%. There was an outstanding, 10.9% rise in EUR terms, in sales in the EU15 market

significantly contributed by Esmya sales. Within the EU the market share of Central and Eastern European countries shrank: sales revenues denominated in euros in this region declined by 0.8%.
Sales in the United States were 10.1% up in forints but shrank by 8.3% in dollars due primarily to a drastic decline in Prosterid sales.
Turnover in China was HUF 3,342 million higher year-on-year as a result of outstanding Cavinton sales and the strengthening of the yuan.
Turnover in Latin America decreased by 12.7% in forints (and 27.6% in dollars).
In the Other countries segment sales in forints were up by 8.5% with contraceptives contributing the highest sales income.
Net financial income in 2015 was HUF 2,577 million profit as opposed to HUF 19,744 million loss in 2015. Financial income was greatly affected by the strengthening of the forint against the rouble and the weakening of the forint against the dollar.

The above statements are supported with detailed information by the Report of the Board of Directors and the Auditor's Report. Based on a review and discussion of the reports and the experience gained over the year, the SB deems the figures stated in the mentioned documents as justified and reliable.

1. 2. 1. Description of the Company's activity in 2015 highlighting some of the key issues addressed by the Supervisory Board in the course of the year

Competition in the markets of gynaecological products
The SB was provided with an analysis of the market of the Company's priority strategic products, i.e. gynaecological products. The analysis provided a global overview as well as details in terms of areas of indication.
Growth in the global gynaecological market slowed down som3ewhat. Richter is ranked 10th in the global gynaecological market and advanced to 3rd-4th place in Europe four and a half years after appearing in Western Europe without a partner.
In the largest area, the global market of contraceptives North America's share is over 50% in terms of value; Europe, Russia and the CIS countries show a slight decreasing trend while Latin America has a sharper rise. Drospirenone is the leading brand despite recent the recent decline, while at the same time Levonorgestrel is rising. The performance of Dezogestrel, Norgestimate and Norelgestromin should also be highlighted. The Company commercializes almost all of the oral contraceptives. A major change is the fact that half of the products are not formulated as oral contraceptives. The oral segment is saturated; there are few new products. Therefore development is not focussed on oral products, and contraception and protection as a complex therapy is a novel feature.
The market of products treating menopause symptoms is growing overall, particularly in North America, Europe and Russia. The market of products is highly segmented. The Company rather aims at buying licenses such as, for instance, the estradiol spray product.
In the field of uterine fibroid indications the market penetration of Richter's original product Esmya is significant but other pharma companies are also active with their own developments in the field. The market of endometriosis is similar to that of

uterine myoma. One of the barriers in the way of growth in the market is incorrect diagnosis. Dienogest is a new product in the market.
there is a growing overall demand for infertility products against a narrow supply. The appearance of biosimilar products may bring about a significant change in the market. The market of vaginal infections treatment is characterized by a multitude of small-turnover products. Currently the Company is not active in these two areas but is watching for opportunities. Drugs used in obstetric interventions are usually old products. This is a delicate and high-risk area and Richter is not looking for new products as yet.
Gynaecology received a new boost in the Company's strategy in 2010. Its pillars are the Company's manufacturing history, unexploited opportunities, and the EU market niche. There is still potential for further development and growth.

The Company's steps taken to improve the efficiency of sourcing and about the review of internal order procedures and organizational hierarchies

The SB was provided information about the Company's direct and indirect sourcing. Sourcing is carried out by three of the Company's organizational units, two of which are in charge of direct sourcing, while the General Purchase Department coordinates the various areas of indirect sourcing. An Action Plan had to be drafted as a result of deteriorating market conditions. In the context of the Plan external consultants were involved to carry out an in-depth review of the Company's sourcing request and purchase procedures. It has been found that 47% of the Company's purchase payments were made through organizational units other than those designated for sourcing. Practices to be followed have also been identified in conjunction with Group-level invitation of offers to supply large equipment, APIs and IT devices as well as energy supply bids. Operational proposals have been formulated to centralize organization and procedures, to harmonize procedures, and to introduce controlling of sourcing, as well as to develop a uniform category management and IT development concept; all this would serve to promote meeting the savings and other targets set for each category and to provide unified indicators of measurement to this end. Harmonization of the diverging practices of sourcing units must be stepped up and cooperation between the units must be tightened; while categorization is taken care of from the IT side and by employing category managers, measurement of activities and rating of suppliers may still be a requirement. To provide the necessary IT support and funding would result in further return in the future which is yet to be exploited.

Current status and future of API manufacturing, changes in the portfolio of products (Budapest, Dorog)

The SB was given a broad overview about the role of APIs in the Company's life, as well as about related changes over the past fifteen years, their consequences, the API manufacturing plants, composition of products, and future outlooks.
Since the inception of the Company, the cardinal role of API production has been conspicuous by the fact that a large portion of Richter's products relies on own-made, predominantly semi-synthetic and synthetic small molecular APIs (manufactured at the Budapest and Dorog sites). Moreover, R&D activities also have great potentials in the field of APIs.

Substantial changes in the competitive market (advancement of Asian competitors, shrinking market share of small molecular products, ascent of biotechnology) have resulted in increasingly keen price competition in the small molecular drugs market, which induced the Company to rearrange the focuses of API manufacturing and reconsider the amount and distribution of resources. The decision taken earlier to establish an Indian joint venture company and also to develop a biotechnology products portfolio was the result of these new developments and the Company's intent to keep abreast of global market trends.
Traditional (small molecular) API manufacturing is becoming increasingly difficult although it continues to play an important role in the Company's life. The ratio of own versus purchased API use has changed, as has that of API export. Structural changes were also needed in the manufacturing facilities; here the additional drivers were the fact that gynaecology had grown to be a strategic area, successful cooperation with foreign partners, and the diminishing role of Budapest along with the ascending role of Dorog (for environmental reasons as well as because of land development and workforce considerations).
The leading products in terms of value and/or quantity are spironolactone (diuretic), vinpocetine (the active ingredient of the cerebral vasodilator Cavinton), famotidine (for gastric ulcer), tolperisone (muscle relaxant), drospirenone (contraceptive), asparaginates (cardiovascular drugs).
According to trade forecasts no significant changes are expected in the demands for own-produced APIs until 2019.
The main component in the future outlook of traditional API manufacturing is to ensure self-reliance in API supply, with special regard to our original and gynaecological products. The standard of the entire infrastructure must be ensured and preserved, capacities should be utilized; economy of scale, revamping the product portfolio and flexible adaptation to market demands should be essential goals.

Evaluation of the 2015 capex activities; priority capex projects

The SB was informed about the implementation of the 2015 capex plan and the priority capex projects. At the traditional API manufacturing site in Budapest, capex projects were aimed at maintaining production capacities and in some cases at upgrading the infrastructure serving production. In the field of finished products manufacturing, project RGK VI was continued; it envisions a greenfield development of a new, state-of-the-art filling and freeze-drying unit, an injectables packaging plant, as well as high rack warehouses ancillary to these new facilities, and areas for R&D purposes. The structure and exterior of the building have been completed; building installations and technological pipe fitting are progressing on schedule. In the Tablets Plant replacement of the false ceiling in the non-hormones coating unit has been completed. Conceptual plans for expanding the capacities of the hormones unit of the Packaging Plant had been drawn up and implementation planning has commenced. Conceptual planning for the modernization of the Injectables Plant (RGK-II) has started. The new, so-called serialization project in the finished products packaging plants have likewise begun. In Debrecen the facility for hazardous waste disposal facility has been completed and occupancy permit has been granted. In the Debrecen Biotechnology Plant there has been an ongoing development of production control and monitoring software along with minor supplementary investments. At the Budapest biotechnology R&D unit considerable funds have been deployed to procure

instruments and other assets and to create a functional layout. The subsidiaries had no capex projects of particular significance in 2015; investments were aimed at maintenance. Savings can be made by Group level management and close connections between investment and sourcing; substantial discounts can be secured through framework agreements. Non-domestic capex projects are conducted with ongoing attendance and in close cooperation with the subsidiaries. Consultations are regular and machines and equipment are purchased centrally. the most important task for 2016 is the completion of the RGK-VI project and planning the capacity expansion project of the Debrecen Biotechnology Plant.

1. 2. 2. Summary and the Supervisory Board's recommendation to the Annual General Meeting

The documents supporting the 2015 Board of Directors Report to the Annual General Meeting and the Auditor's Report were reviewed and discussed by the SB. Based on those and the information gained during the year, the SB was in a position to judge the figures and statements set out in the reports. We hereby present the following summary report, as jointly agreed by the Committee, and a unanimous opinion of the SB to the distinguished members of the General Meeting.

The Company's 2015 net income from sales slightly decreased in both forint and euro (the decrease was less than 1%). the group's consolidated sales income in forint was 3.3% up and in euro, 2.9% up year-on-year.
The Company's income from sales in the domestic market increased by 6.5%, and its market share, by 5.3%. Income from sales in the CIS region dropped drastically, due mainly to the huge devaluation of the rouble and the escalating Ukraine crisis. There was an outstanding rise in sales in the EU15 markets significantly contributed by Esmya sales. Our sales in the United States and China grew in HUF terms, while Latin American sales decreased. Sales in the Other countries category went up, with contraceptives generating the highest turnover.
The Company's after-tax profit was HUF 61,480 million 221.8% higher year-on-year.
The outstanding growth was predominantly the result of the significant one-off milestone income as well as lessening sales and marketing and R&D costs.

The Company fulfilled its obligations at all times to the state, the banks, authorities and its partners in the market and elsewhere. It had a well-balanced financial status throughout the year.
The SB agrees with the contents of the Company's Annual Financial Report for 2015 and the statements made in the Auditor's Report. Hence, it proposes the Company's 2015 Balance Sheet, Income Statement, Notes and Annual Report, with their truthfulness and compliance confirmed by the independent auditor, to the distinguished members of the General Meeting for approval.

2. Proposals for the approval of the 2015 Annual Report

2. 1. Proposal for the approval of the 2015 Gedeon Richter Plc's Balance Sheet and after-tax profit for 2015

Based on the Company's audited Annual Financial Statement for 2015 submitted to the Annual General Meeting, the analysis and Auditor's Statement issued by the auditor PricewaterhouseCoopers Ltd., and the SB's own analysis, the Supervisory Board proposes that the distinguished members of the Annual General Meeting approve the following:

- The Annual Financial Report for 2015 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 737,067 million), duly audited in compliance with the Accounting Act;
- The after-tax profit specified in the audited Profit and Loss Statement for 2015 (before dividend payment) being HUF 61,480 million.

2. 2. Proposal for the approval of the appropriation of Gedeon Richter Plc.'s 2015 after-tax profit to pay dividend, and to transfer the balance sheet profit to retained earnings

The proposals made by the Board of Directors are approved and supported by the Supervisory Board.

Hence, the Supervisory Board makes the following proposals to the distinguished members of the Annual General Meeting:

- To approve the payment of 72% dividend, i.e. HUF 72 on each ordinary share;
- Having paid the above dividends, to transfer the remaining part of the after tax profit (defined as balance sheet profit in accordance with the relevant statutory provisions) to retained earnings.

Budapest, 23 March 2016

Dr. Attila Chikán
Chairman of the Supervisory Board

8.

Resolution on the determination and allocation of the 2015 after-tax profit declaration of dividends for the 2015 business year on the common shares

Proposal to Item No.:8
on the Agenda of the AGM

Resolution of the Board of Directors No.: 22/2016

The Board of Directors proposes the AGM to state HUF 72 as a dividend relating to the common shares (which is equal to 72% of the face value of the common shares) and approve the payment.
The Board of Directors proposes the AGM to approve that the amount remained after the payment of the stated dividend relating to the common shares shall be deposited into the accumulated profit reserves of the Company.

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

9.

Approval of the 2015 draft Annual Report of the Company prepared in accordance with the Accounting Act, including the 2015 Balance Sheet

Proposal to Item No.:9
on the Agenda of the AGM

Resolution of the Board of Directors No.: 23/2016

The Board of Directors proposes the AGM to approve the draft annual report 2015 regarding on the business operation and activity of the Company in accordance with the Hungarian Accounting Act.

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

10.

Corporate Governance Report

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RICHTER GEDEON

Report on Corporate Governance[1]

In order to comply with international and domestic legal and regulatory requirements and the highest ethical standards in all of its operations Gedeon Richter Plc. is committed to developing and maintaining a corporate governance system. This commitment is highlighted by the practice of transparent and efficient differentiation of the rights and responsibilities of the General Meeting, the Board of Directors (which has operated two subcommittees since 2004, the Corporate Governance and Nomination Subcommittee and the Remuneration Subcommittee), the Supervisory Board, and the Executive Management.

The corporate governance system and practice developed and applied by Richter is in keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange as well as with the stock market regulations currently in force. The Company reviews its corporate governance principles from time to time to keep abreast with continuously evolving international practice.

The Company's governing bodies:

General Meeting

The supreme body of the Company is the General Meeting, which consists of all shareholders. The Company's Annual General Meeting is convened no later than by the last day of the fifth month of every business year. The Annual General Meeting addresses, among other points on the agenda, the following subjects:

- Report prepared pursuant to the Accounting Act presented by the Board of Directors for the previous business year, on the management, the financial situation and the business policy of the Company;
- Board of Directors' report on the practice of corporate governance and on the departures made by the Company in applying the Corporate Governance Recommendations of the Budapest Stock Exchange;
- Comments of the Supervisory Board on the Company's report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;
- Comments of the Auditor on the Company's report prepared pursuant to the Accounting Act, including also the recommendation regarding the appropriation of after-tax profits;
- Approval of the annual report prepared pursuant to the Accounting Act, including also the decision regarding the appropriation of after-tax profits;

[1] The report concerns the 2015 business year.

- Approval of the consolidated report in line with IFRS;
- Resolution on the remuneration of elected officers.

The Company shall publish the key data of the annual report prepared pursuant to the Accounting Act and of the report of the Board of Directors and the Supervisory Board, the total number (proportion) of shares and voting rights at the date of convening the General Meting, including separate summaries of the individual share classes, together with a summary of the proposals relating to the items on the agenda, the supervisory board report on these, and draft resolutions, as well as forms for voting by proxy, on the Company's website at least twenty-one days prior to the annual General Meeting. The Company shall publish the names of the members of the Board of Directors and the Supervisory Board and all monetary and non-monetary benefits granted to these members in this role, detailed by members and legal title to said benefit simultaneously with the notice convening the General Meeting.

The General Meeting is chaired by the Chairman of the Board of Directors or another person previously invited by the Board of Directors to take the chair. The General Meeting shall approve the identity of the chairman of the General Meeting prior to substantive discussion of further items on the agenda and until this has happened the General Meeting cannot make a further substantive decision in respect of the items on the agenda.

Shareholders' rights and treatment of shareholders

All shareholders are entitled to participate in the General Meeting, and to request information and to make observations and to submit motions as set out in the Civil Code.

The Board of Directors shall provide every shareholder who makes a written request with information necessary to enable the shareholder to evaluate items on the General Meeting agenda, so that the shareholder making such request at least eight days before the General Meeting shall receive the requested information at least three days prior to the General Meeting.

At the request of a shareholder the Board of Directors shall grant that shareholder access to the relevant documents and data of the Company. The Board of Directors may decide that it will disclose information or grant access to documents on condition that the requesting shareholder makes a written declaration of confidentiality. The Board of Directors may refuse to disclose information or to grant access to documentation or data if its dissemination would compromise the business secrets of the Company, if the shareholder abuses this right or does not make a declaration of confidentiality after being requested by the Board of Directors. If the shareholder finds that the refusal of his request is unfounded, then he may request the Court of Registration to compel the Company to provide the requested information.

Shareholders may practise their rights after entitlement verification by way of the identification procedure. No certificate of ownership is required for the practice of shareholders' rights. The date of registration in the Share Register shall be the same as the date of the identification of ownership.

At the General Meeting, shareholders' rights can be exercised by means of the voting card. The voting card shall contain the name of the shareholder or the shareholder's representative and the number of votes to which he is entitled to. The Company shall only issue a voting card to a shareholder or shareholder's representative who is registered in the Share Register

as the owner of the shares or as the shareholder's representative, or in case of jointly owned shares, as joint representative.

Shareholders may exercise their rights at the General Meeting through an authorized representative. Representatives may obtain voting cards if they present authorization contained in an official deed or private deed of full probative value to the Company at the place and time indicated in the announcement regarding the General Meeting.

The name of a shareholder or shareholder's representative who wishes to participate in the General Meeting shall be recorded in the Share Register by the second working day preceding the first day of the General Meeting.

Only those shareholders may exercise their rights at the General Meeting who are the owners of the shares on the reference date for the identification of ownership and whose names are contained in the Share Register on the second business day before the first day of the General Meeting. The keeper of the Share Register shall ensure the possibility of exercising of the right of registration until 6.00 PM (Budapest time) on the second business day before the first day of the General Meeting.

Every share of nominal value HUF 100 shall entitle its holder to one vote. At general meetings a shareholder may not exercise voting rights on his own account or as a representative of another shareholder, alone or in concert with affiliated persons, in excess of twenty-five percent (25%) of the voting rights attached to the shares by shareholders present or represented at the General Meeting. A shareholder shall not be entitled to exercise voting rights prior to having effected full payment of its contribution in cash.

Shareholders are entitled to receive a share of the Company's profits that are distributable and where a dividend is declared by the General Meeting. Such dividend shall be in proportion to the number of nominal shares held by the shareholder (right to a dividend). However, dividends with respect to treasury shares shall be divided to shareholders entitled to dividends, payable in proportion of the nominal value of their shares. Shareholders that have been registered in the Share Register as a result of the identification of ownership prepared on the reference date established and announced by the Board of Directors regarding the payment of dividends are entitled to dividends. The date relevant with respect to the entitlement to dividends established by the Board of Directors may differ from the date of the General Meeting adopting the resolution for the payment of dividends.

In the event of termination of the Company without legal successor, the shareholder shall be entitled - based on the payments and in-kind contributions made by the shareholder for the shares - to a proportion of any remaining assets of the Company following the satisfaction of creditors. Such proportion of the remaining assets shall be distributed to the shareholder in proportion to the ratio of the nominal value of its shareholding in the Company's registered capital and the total registered capital of the Company (proportional right to liquidation assets).

The Board of Directors

The Board of Directors of Gedeon Richter Plc. is the decision making body of the Company in matters other than those that are within the exclusive remit of the General Meeting.

Increasing value for shareholders, profitability, enhancing efficiency and transparency of operation and providing the conditions for environmental protection and safe operation as well as good shareholder relations based on consistent information are priority considerations and goals for the Board of Directors.

The structure, remit and operation of the Board of Directors

Pursuant to the Company's Statutes the Board of Directors is made up of at least three and not more than eleven members. Members of the Board of Directors are elected by the General Meeting for a definite term of not more than five years. Currently the Board of Directors consists of eleven members, eight of whom are independent. The Company applies the criteria of independence of the Civil Code. The Company's Managing Director is a member of the Board of Directors. Separation of the office of chairman of the Board of Directors and the Managing Director is a key aspect of corporate governance; the chairman of the Board of Directors is always elected from among the external (independent) members. The Board of Directors elects its chairman and deputy chairman from among its members.

Chairman of the Board of Directors: William de Gelsey
Members of the Board of Directors: Erik Bogsch
János Csák
Dr. Gábor Gulácsi
Dr. László Kovács
Csaba Lantos
Christopher William Long
Dr. Gábor Perjés
Dr. Csaba Polacsek[2]
Prof. Dr. Szilveszter E. Vizi
Dr. Kriszta Zolnay

A detailed introduction of the members of the Board of Directors and their independent status is available on the Company's website at www.richter.hu.

The business activity of the Company is controlled by the Board of Directors in accordance with the Company's Statutes, the resolutions of the General Meeting and the relevant effective legal regulations. The Board's remit includes review and approval of the Company's future outlook, strategic principles and programmes, and its transactions beyond the boundaries of regular business. It monitors and regularly evaluates the Company's performance and the management's operation. It selects and contracts the Managing Director; it evaluates the Managing Director's performance and determines the Managing Director's remuneration. It ensures compliance with the statutory provisions and the Code of Corporate Ethics.

The Board of Directors acts and passes resolutions as a body. The Board of Directors keeps minutes of its meetings and its resolutions are documented. Besides the recurrent items on its agenda the Board discusses and evaluates the performance of each of the key business segments.

[2]Due to conflict of interest Dr. Csaba Polacsek resigned from the Board of Directors with effect from 11 January, 2016.

In 2015 the Board of Directors held ten (10) meetings with an average attendance rate of 95.45 %.

The Board of Directors has the quorum required for decisions on the merit of matters if at least two-thirds but at least three of its current members are present. The current number of members shall mean the number of members in office at the given time. If the Board does not have a quorum when it is first called, the Chairman shall call a repeated meeting for a date within three days from the original date. The reconvened meeting shall have a quorum if the majority of, but not less than three, members of the Board are present. The Board of Directors shall pass its resolutions by simple majority.

Pursuant to the resolution of the Annual General Meeting of 28 April 2015 the remuneration of the Chairman of the Board of Directors was set at HUF 625,000.00 per month and that of the members of the Board of Directors at HUF 520,000.00 per month.

Subcommittees of the Board of Directors

In order to improve efficiency of decision-making processes the Board of Directors set up two subcommittees in 2004. The subcommittees consist of at least three independent Board members. The chairmen and members of the subcommittees are elected by the Board for a term equal to the member's term on the Board. The duties of the subcommittees are determined by the Board of Directors.

The following subcommittees are in operation:

Corporate Governance and Nomination Subcommittee

The Corporate Governance and Nomination Subcommittee consist of three independent members not employed by the Company.

Chairman:	Christopher William Long
Members:	János Csák Dr. Gábor Perjés
Permanent invitee:	William de Gelsey, Chairman of the Board of Directors

Within its sphere of competence the Corporate Governance and Nomination Subcommittee

- makes proposals to the Board of Directors on the number and composition of the Board of Directors and the Supervisory Board in accordance with needs as they arise, and makes proposals on the requirements of independence, qualification and professional experience of proposed candidates;
- prepares decisions of the Board of Directors on candidates for the Board of Directors and the Supervisory Board by recommending suitable candidates and by evaluating candidates proposed by the shareholders' representatives;

- monitors the implementation of the approved principles of corporate governance, prepares annual reports to the Board of Directors, and proposes necessary changes and additions to them.

The Corporate Governance and Nomination Subcommittee acts and makes decisions as a body. The Subcommittee keeps minutes of its meetings and its decisions are recorded.

In the 2015 business year the Corporate Governance and Nomination Subcommittee held three (3) meetings with an average attendance rate of 88.88%.

Remuneration Subcommittee

The Remuneration Subcommittee consists of three members. The members of the Subcommittee are independent, not employed by the Company.

Chairman: Prof. Dr. Szilveszter E. Vizi

Members: Csaba Lantos
William de Gelsey

Within its sphere of competence the Remuneration Subcommittee

- evaluates experiences related to the remuneration system of members of the Board of Directors and the Supervisory Board, and makes proposals as to its amendment taking into consideration the relevant effective legal regulations;
- makes proposals to the Board on the evaluation of the performance of the Managing Director and his remuneration.

The Remuneration Subcommittee acts and makes decisions as a body. The Subcommittee keeps minutes of its meetings and its decisions are documented.

In the 2015 business year the Remuneration Subcommittee held two (2) meeting with an average attendance rate of 100%.

Division of responsibilities and duties between the Executive Management and the Board of Directors

The Executive Management is responsible for management and control of the Company's operative activities. The chairman of the Executive Management is the Managing Director of the Company. The Board of Directors shall charge one of its members with the duty of controlling the operative activities of the Company in the capacity of Managing Director for a period determined by the Board of Directors. Except for the rights assigned to the General Meeting, the employer's rights over the Managing Director shall be exercised by the Board of Directors.

The Executive Management is a forum for the preparation of decisions, where all members have the right and obligation to provide an opinion. Based on the opinions of the members of

the Executive Management the final decision shall be made by the Managing Director or the Board of Directors, depending on their competence.

As set out by the Statutes the Board of Directors shall determine the remit of the Managing Director and shall approve the Company's Rules of Organization and Procedure. The Board of Directors may assign any of its powers related to day-to-day management to the Managing Director with terms and conditions as its discretion, and may from time to time revoke or change all or any of the powers so assigned; however, the assignation shall not affect the liability of the Board of Directors.

Under the Rules of Organization and Operation the Managing Director may assign some of his duties relating to the Company's internal administration to the Company's officers and employees by means of job descriptions, or by general or ad hoc orders. The Managing Director is competent to make decisions on any issues that are not within the sphere of competence of the General Meeting or the Board of Directors. The Managing Director may exercise and delegate employer's rights in respect of employees within the scope of and in such manner as defined in Annex B of the Company's Statutes and in the Company's Rules of Organization and Procedure.

The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system. The Board of Directors makes decisions regarding the evaluation and remuneration of the work of the Managing Director in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

Members of the Executive Management:

Erik Bogsch	- Managing Director
Dr. Gábor Gulácsi	- Deputy Managing Director of Finance
Sándor Kováts	- Director of Commercial Services (died in 2015)
Lajos Kovács	- Technical Director
András Radó	- Deputy Managing Director of Production and Logistics
Dr. István Greiner	- Director of Research
Dr. György Thaler	- Director of Development

A detailed introduction of the members of the Executive Management is available on the Company's website at www.richter.hu.

Conflict of interest and independence

In order to avoid conflict of interest of members of the Board of Directors and of the Executive Management in their relations to third parties the employment contract of members of the Executive Management prohibits employment or other legal relationship of a similar nature with an undertaking of a similar profile. Members of the Board of Directors and of the Supervisory Board shall make a declaration of no conflict of interest between their elected position and their other commitments upon their election. The Company applies the criteria of independence provided by the Civil Code in respect of members of the Board of Directors and of the Supervisory Board.

Supervisory Board

Pursuant to the Company's Statutes the Supervisory Board is made up of at least five and not more than nine members. Members of the Supervisory Board are elected by the General Meeting for a definite term of not more than three years.

Based upon the Statutes, as long as the number of the Company's full time employees exceeds a yearly average of two hundred, employees shall participate in the control of the Company's activities through the Supervisory Board. In such case, one third of the members of the Supervisory Board shall be comprised of the employees' representatives. In the event of a number indivisible by three, such third shall be calculated in such manner as to be more favourable to the employees.

Currently the Supervisory Board consists of five members. Two of its members represent the employees and the remaining three members are independent (external) persons.

Chairman of the Supervisory Board:	Dr. Attila Chikán
Members of the Supervisory Board:	Prof. Dr. Jonathán Róbert Bedros
	Jenő Fodor (employees' representative) /until April 28, 2015/
	Mrs. Tamásné Méhész
	Gábor Tóth (employees' representative) /until April 28, 2015/
	Dr. Éva Kozsda Kovácsné (employees' representative) /since April 28, 2015/
	Mrs. Klára Csikós Kovácsné (employees' representative) /since April 28, 2015/

A detailed introduction of the members of the Supervisory Board and their independent status is available on the Company's website at www.richter.hu.

The Supervisory Board monitors the operations of the Company. The Supervisory Board holds meetings regularly in accordance with the relevant legal regulations and its agenda, passes resolutions on the topics determined in its work plan, and takes action whenever the Company's operative activity so requires. The Supervisory Board keeps minutes of its meetings and its decisions are recorded.

Within its remit the Supervisory Board submits proposals to the Board of Directors, discusses the Company's strategy, financial results, capital expenditure policies, and internal control, risk management and audit systems. At its meetings the Supervisory Board receives regular and suitably detailed information about the Company's management. The Chairman of the Supervisory Board is entitled to participate in the meetings of the Board of Directors with the right to give advice.

In the 2015 business year the Supervisory Board held ten (10) meetings with an average attendance rate of 96 %.

The Supervisory Board shall have a quorum if at least each of its members has been duly invited thereto and at least two-thirds, but at least four members are present. The reconvened meeting originally adjourned due to the absence of a quorum shall have a quorum if at least three (3) members of the Supervisory Board - in the ratio defined in Section 16.8 of the

Statutes - are present. The Supervisory Board shall pass its resolutions by simple majority of those present.

At the Annual General Meeting of 28 April 2015 the remuneration of the Chairman of the Supervisory Board was set at HUF 460,000.00 per month and that of the members of the Supervisory Board at HUF 375,000.00 per month.

Audit Board

The Company has an Audit Board consisting of three members. Its members are elected by the General Meeting from among the independent members of the Supervisory Board. At least one member of the Audit Board shall have a professional certificate in accounting or auditing.

Members of the Audit Board: Dr. Attila Chikán
Prof. Dr. Jonathán Róbert Bedros
Mrs. Tamásné Méhész

The Audit Board is responsible for the supervision of the Company's internal accounting rules. Accordingly, the remit of the Audit Board includes the following:

- to give an opinion on the annual report prepared pursuant to the Accounting Act;
- monitoring the statutory audit of the annual report prepared pursuant to the Accounting Act;
- making a recommendation concerning the person and remuneration of the auditor;
- preparation of the contract to be concluded with the auditor;
- monitoring compliance with the qualification requirements, regulations on conflict of interest and independency on the part of the auditor, discharging the duties relating to cooperation with the auditor, monitoring other services provided by the auditor to the company besides the auditing of the annual report prepared pursuant to the Accounting Act, and - where necessary - tabling recommendations to the Supervisory Board for taking measures;
- analysis of the financial reporting system and making recommendations when any action is deemed necessary;
- assisting the work of the Supervisory Board so as to exercise proper control of the financial reporting system as well as
- monitoring the effectiveness of the company's internal control and risk management.

The Audit Board acts and makes decisions as a body. The Board keeps minutes of its meetings and its decisions are recorded.

In the 2015 business year the Audit Board held four (4) meetings with an average attendance rate of 100%.

Internal controls and risk management system of the Company

Richter considers risk management a tool of effective corporate governance. Our goal is to identify, understand and assess risks in a timely fashion and to take steps to manage them.

Evaluation of internal controls is part of risk assessment; hence the risk assessment function supports the Company in maintaining more efficient internal control mechanisms.

Richter's position is that it is impossible to devise a uniform system for all aspects of risk management; consequently, we rely on the meetings of the Company's various bodies in risk related decision-making and trust the skills, experience and judgment of our decision-makers in the implementation of internal requirements and rules.

Accountability and controls related to risk management:

- The Board of Directors shall be responsible for the overall control and supervision of Richter's risk management. In this context, the Board of Directors holds the Executive Management accountable for the identification of major areas of exposure, develops the key risk management requirements together with the Executive Management, and requires regular information about the efficiency of related risk management and internal control procedures.
- The Executive Management shall report to the Board of Directors regarding the implementation of risk management procedures and is ultimately responsible for risk management. The duties and responsibilities of the Executive Management shall also cover the development and maintenance of internal controls that ensure the management of exposures arising from the Company's operation and help achieve the Company's goals.
- Management of strategic risks is the direct responsibility of the Executive Management.
- The various functional areas are responsible for operating and compliance risk management in their particular areas. The risk management efforts of the heads of functional areas are supported by the meetings of the Company's bodies. The heads of the functional areas report to the Executive Management about risks in their particular areas in the context of the Company's internal reporting function.
- Financial risks are managed by the financial control function in a centralized fashion.
- The Audit Department conducts independent and objective assessment of the suitability of the internal controls system for efficient risk management. The assessment is performed on the basis of approved annual plans. When drawing up the annual plan the Audit Department shall take into consideration the Company's exposures (based on importance and rotation) as well as the proposals of the Executive Management.
- Risk management, internal controls and corporate governance functions shall be evaluated annually in the context of the Annual Report.

Statutory Auditor

In 2015 Gedeon Richter Plc.'s statutory Auditor was **PricewaterhouseCoopers Könyvvizsgáló Kft.** The individual auditor in charge appointed by the Auditor company, as responsible for fulfilment of tasks of the Auditor was Ms. Szilvia Szabados, member of the Hungarian Chamber of the Auditors.

In accordance with its contract, PricewaterhouseCoopers Könyvvizsgáló Kft. audits the Company's individual Annual Report prepared pursuant to Act C of 2000 on Accounting, and

the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS, earlier IAS).

The audit of the financial statements mentioned above was conducted in accordance with the Hungarian Auditing Standards, the International Standards of Auditing (ISA) and the Accounting Act and other statutory provisions relevant to auditing.

The Statutory Auditor ensures continuity of auditing through regular on-site work and participation in meetings of the Board of Directors and the Supervisory Board, and through other forms of consultation. In addition, the Auditor reviews the Company's quarterly reports to BSE.

Pursuant to the resolution of the Annual General Meeting of 28 April 2015 the remuneration of the Statutory Auditor for the 2015 year is HUF 19,000,000.00 + VAT, which includes the fee for the auditing of the 2015 annual report in accordance with the Hungarian Accounting Act, the fee for examining the consonance between the non-consolidated annual report and business report for 2015, the fee for the auditing of the 2015 consolidated report and business report prepared in accordance with IFRS accounting principles, the fee for reviewing the quarterly reports serving the purpose of informing the investors and sent to the BSE (Budapest Stock Exchange) and the MNB (Central Bank of Hungary), and the fee for auditing the Company's interim financial statement, which shall be completed on the accounting date of August 31, 2015 in accordance with the Hungarian Accounting Act.

With the approval of the General Meeting, the business organization appointed as Auditor has audited the Company's financial statements prepared according to the Hungarian Accounting Act and also audited the Company's financial statements prepared according to the International Financial Reporting Standards.

Shareholder relations

The official formal contacts with shareholders include the annual reports and financial statements, the quarterly reports published through the Budapest Stock Exchange and other announcements. In addition, shareholders receive information about the Company's business, results and strategies at the Annual General Meeting. The Company organizes roadshows for investors to inform shareholders and Global Depository Receipt (GDR) holders based in the United States, the United Kingdom and in all parts of Continental Europe. During the year investors may contact the Company with their inquiries and may put questions and make proposals at the General Meeting.

The Company's Investor Relations Department is responsible for coordinating the above activities. The Share Registration Department focuses primarily on small shareholder relations. In order to promote efficiency of information the Company designates special pages to issues of interest to shareholders and financial stakeholders on its website www.richter.hu.

The Company's disclosure practices

In accordance with the statutory provisions in force and the Regulations for Listing, Continued Trading and Disclosure of the Budapest Stock Exchange, the Company publishes

its announcements and disclosures as well as its regular and extraordinary information on the website of the Budapest Stock Exchange (www.bet.hu), the website dedicated to capital market disclosures managed by the National Bank of Hungary (www.kozzetetelek.hu), and on the Company's own website (www.richter.hu), as well as in the Hungarian Companies Journal. The invitation to the General Meeting is also published in The Financial Times in addition to the above. Accordingly, the Company publishes quarterly reports and, following conclusion of the business year, an annual report, and provides extraordinary information in cases where it becomes aware of actual or expected changes in its business that may directly or indirectly affect the value or yield of its shares, or that are material for market players for making investment-related decisions. In addition, the Company's Investor Relations Department keeps in touch with investors on a regular basis.

The Company' policy regarding insider trading

Act CXX of 2001 on the Capital Market Act defines insider persons. The Company has developed regulations on the prohibition of insider trading as provided by law.

The Company considers persons as insiders according to Sec. 201. (2) of the Capital Market Act.

Code of Ethics

The Company has a Code of Ethics. The Code of Ethics provides for the conduct expected of the Company's employees in subordinate positions and for the higher levels of conduct demands on executive staff. It also sets guidelines on communications within the Company and on relations between the Company and its business partners.

Corporate Social Responsibility

The Company has a diverse commitment to its immediate environment and to society at large, and so feels it has a duty to support community goals as much as possible, both independently and together with other organizations. Richter is convinced that it must play a role in the areas in which it is active. The Company is a committed sponsor of health care and education, which includes the training of chemists, pharmacists and doctors. Numerous cooperation agreements provide assistance to the research and educational activities of universities that offer training in the natural sciences. The Gedeon Richter Foundation for Hungarian Health Care provides support for Hungarian health care. The Company takes part in programmes in Hungary that help people achieve a greater understanding and awareness of particular health problems. This purpose is also served by the Richter Health City programme begun in 2009, whose end-of-year "health profit" in 2015 was support for 47 hospitals, which was allocated for improving their equipment.
As a major company in gynaecology, Richter embraces the psychological and social well-being of women as part of its social responsibility, as a result of which it devotes particular attention to supporting programmes that are of value to women. The Company launched its "Richter for Women Programme" in 2010. This includes the Mum Theresa project, a major part of which is the Richter Golden Mum award. A new component was added to the

programme in 2015: the "Good to be a Woman" movement, which is aimed at recognizing women and boosting their self-esteem.

In 2015 the Company received the 2014 Medicine of the Year Award for its product for the treatment of uterine fibroids. It was honoured as the Figyelő Medicina TOP Outstanding Pharmaceutical Company of 2015 for its exceptional performance in health care. In 2015, for the second year running, Richter won the Most Attractive Employer Award in the pharmaceutical and chemical industry category.
Every two years – the last time being in 2014 – the Company issues a Sustainability Report, which describes the environmental and safety activity of Richter's manufacturing subsidiaries as well as their social responsibility.

The Company is committed to making future generations healthier through its activity.

Environmental awareness

Compliance with health, safety and environmental regulations is a priority for Richter, therefore the Company strictly observes the statutory provisions relevant to these areas in all of its operations. Gedeon Richter Plc. is convinced that efficient and successful production is the basis of preserving its employees' health, creating a safe working environment, and protecting the environment.

Economic development and operations which take into consideration the state of our environment and social expectations and are pursued in possession of government permits and in compliance with their provisions – in brief, this is Richter's environmental protection strategy. The Company complies with Hungarian and international environmental laws and regulations and has held an Integrated Pollution Prevention Control (IPPC) licence since 2004. With a view to continuously improving its environmental performance, the Company operates an Environmental Management System according to ISO 14001; its system has been awarded an internationally valid environmental certificate since 2001.

Gedeon Richter Plc. believes it is important to make its environmental efforts and achievements known to everybody interested. From 2001 to 2004 Gedeon Richter Plc. provided information in annual environmental reports. Since 2005 the Company has provided information on environmental protection to the authorities and general public in its regular Sustainability reports.

Budapest, 26 April, 2016

William de Gelsey
Chairman of the Board of Directors

Christopher William Long
Member of the Board of Directors

CORPORATE GOVERNANCE DECLARATION

on Compliance with the Corporate Governance Recommendations of the Budapest Stock Exchange Ltd.

The Board of Directors of **Chemical Works of Gedeon Richter Plc.** (1103 Budapest, Gyömrői út 19-21., Register of Companies No.: 01-10-040944) (the "Company") makes the following declaration and provides the following information on behalf of the Company:

Level of compliance with the Recommendations

R 1.1.1
The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes

R 1.1.2
The company applies the "one share – one vote" principle.

No. Each share of HUF 100 nominal value entitles to one vote. Under the Company's Statutes the maximum level of voting rights which may be exercised by a single shareholder independently or as a proxy or jointly with one or more person(s) shall be twenty-five percent (25%) of the total voting rights represented by the shareholders or their proxies attending the General Meeting.

R 1.2.8
The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes

R 1.2.9
Items on the general meeting agenda only include matters that are correctly detailed and summarized clearly and unambiguously.

Yes

The draft resolutions included the proposals of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes

R 1.2.10
Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

No, there were no comments or supplements.

R 1.3.8
Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

No, there were no such comments.

Written comments made on the items on the agenda were published two working days prior to the general meeting.

No, there were no such comments.

R 1.3.10
The election and dismissal of executives took place individually and by separate resolutions.

Yes

R 2.1.1
The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes

R 2.3.1
The Managing Body held meetings regularly, at times designated in advance.

Yes

The Supervisory Board held meetings regularly, at times designated in advance.

Yes

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes, they provide for extraordinary meetings called at short notice, and it is also possible to pass resolutions without a meeting; however, decision-making is not possible through electronic communications channels.

R 2.5.1
The Board of Directors/Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes

R 2.5.4
At regular intervals (in connection with the CG Report) the Board of Directors/ Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes

R 2.5.6
The company disclosed on its website the guidelines on the independence of the Board of Directors/Supervisory Board, as well as the criteria applied for assessing independence.

No, the Company applies the criteria of independence provided for by the Civil Code. Earlier the Company applied BSE's former recommendations for assessing independence of members of the Board of Directors and the Supervisory Board. The Company's position is that the relevant statutory provisions provide an adequate basis for assessment of independence.

R 2.6.1
Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

No, there was no such case.

R 2.6.2
Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

No, there was no such transaction.

Transactions which according to 2.6.2 fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

No, there was no such transaction.

R 2.6.3
Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

No, there was no such case.

R 2.6.4
The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes

R 2.7.1
The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

No. According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting under a separate item on the agenda. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

The Supervisory Board formed an opinion on the remuneration guidelines.

No, there are no remuneration guidelines (see above).

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

No (see above). According to the Company's practice members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda.

R 2.7.2.
The Managing Body prepared an evaluation of the work it carried out in the given business year.

No, in year 2015 such evaluation wasn't prepared.

R 2.7.2.1
The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes

R 2.7.3
It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

No. The Managing Director makes decisions regarding the evaluation and remuneration of the work of the Executive Management in the context of the annual plan and the bonus system.

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

No, there was no deviation from the normal practice in respect of benefits.

R 2.7.4
The structure of share-incentive schemes were approved by the general meeting.

No, there were no such schemes.

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

No, there were no such schemes (see above 2.7.4).

R 2.7.7
The Remuneration Statement was prepared by the company and submitted to the general meeting.

No. Members of the Board of Directors and the Supervisory Board undertake their work against fixed remuneration whose amount is approved by the Company's Annual General Meeting from year to year under a separate item on the agenda. The Notes to financial statements in the Annual Report submitted to the General Meeting contain the aggregate remuneration of the members of the Board of Directors, the Supervisory Board and the management. AGM resolutions regarding the remuneration of members of the Board of Directors and Supervisory Board have been published on the Company's website. Furthermore, according to Sec. 11.6. of the Statutes, the Company has published per member and described by virtue of the remuneration, all in cash and other (non cash) allowances given to the Members of the Board of Directors and of the Supervisory Board with reference to their such position in the previous business year.

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

No, there is no separate Remuneration Statement (see above).

R 2.8.1
The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

No, the Supervisory Board discusses the risk management in every year.

The Managing Body took the necessary steps to identify the major risk areas.

Yes

R 2.8.3
The Managing Body formulated the principles regarding the system of internal controls.

Yes

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes

R 2.8.4
When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4.

Yes

R 2.8.5
It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes

R 2.8.6
The company created an independent Internal Audit function, which reports to the Audit Committee/Supervisory Board.

No. The Company has an internal audit department supervised by the Managing Director, which reports regularly to the Board of Directors, and also undertakes special tasks assigned by the Audit Board and the Supervisory Board.

The Internal Audit reported at least once to the Audit Committee/Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

No. See above under 2.8.6.

R 2.8.7
The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee/Supervisory Board.

No. See above under 2.8.6.

As an organisation, the Internal Audit function is independent from the executive management.

No. See above under 2.8.6.

R 2.8.8
The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

No. See above under 2.8.6.

R 2.8.9
The Managing Body prepared its report for shareholders on the operation of internal controls.

No. See above under 2.8.6.

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

No. See above under 2.8.6.

R 2.8.11
The Managing Body identified the most important deficiencies or flaws in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes. See above under 2.8.6.

R 2.9.2
The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

No. There was no such case.

R 2.9.3
The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event that had a significant bearing on the operations of the company.

No. There was no such assignment.

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".

No. The Board of Directors must be notified in each case where the external auditor or external advisor is given another assignment. See above under 2.9.2.

R 3.1.6
On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Audit Board is disclosed on the Company's website. Duties, targets and composition of the Audit Board are set out in the Company's Statutes and its Annex and in the Annual review and in the Report on Corporate Governance.

R 3.1.6.1
On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Corporate Governance and Nomination Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set out in the Annual review and in the Report on Corporate Governance of the Company.

R 3.1.6.2
On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes. Composition (list of members and short biographies) of the Remuneration Subcommittee is disclosed on the Company's website. Duties and targets of the Subcommittee are set forth in the Annual review and the Report Corporate Governance of the Company.

R 3.2.1
The Audit Committee/Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes

R 3.2.3
The Audit Committee/Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes

R 3.2.4
The Audit Committee/Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.

No, there was no new candidate for the position of auditor

R 3.3.1
There is a Nomination Committee operating at the company.

Yes. The Nomination Subcommittee currently operates in the context of the Corporate Governance and Nomination Subcommittee.

R 3.3.2
The Nomination Committee provided for the preparation of personnel changes.

Yes

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

No. Appointment of members of the Executive Management is the responsibility of the Managing Director.

The Nomination Committee evaluated the activity of board and executive management members.

No, in year 2015 the Corporate Governance and Nomination Subcommittee didn't discussed the evaluation of activity of the members of the Board of Directors.
Evaluation of the performance of members of the Executive Management is the responsibility of the Managing Director.

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

Yes

R 3.4.1
There is a Remuneration Committee operating at the company.

Yes

R 3.4.2
The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes, in respect of remuneration of members of the Boards. As regards remuneration of the Executive Management, see 2.7.3 and 3.4.3.

R 3.4.3
The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

No. See 2.7.3.

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes. There was no share option.

R 3.4.4
The Remuneration Committee made proposals regarding remuneration guidelines.

No. See 2.7.3

R 3.4.4.1
The Remuneration Committee made proposals regarding the remuneration of individual persons.

No. See 2.7.3.

R 3.4.4.2
The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

No. See 2.7.3.

R 3.4.4.3
The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes

R 3.4.7
The majority of the members of the Remuneration Committee are independent.

Yes

R 3.5.1
The Managing Body disclosed its reasons for combining the Remuneration and Nomination Committees.

No. Combination of the two committees was not raised.

R 3.5.2
The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.

No. The duties were undertaken by the Corporate Governance and Nomination Subcommittee.

R 3.5.2.1
The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

No. The duties were undertaken by the Remuneration Subcommittee.

R 4.1.1
In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes. In terms of disclosure the Company follows the guidelines and procedures provided for in the relevant legal regulations and the rules of disclosure of the Budapest Stock Exchange.

R 4.1.2
The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes

R 4.1.3
The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes, see 4.1.1.

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes, see 4.1.1.

R 4.1.4
The Managing Body assessed the efficiency of disclosure processes.

Yes

R 4.1.5
The company published its corporate events calendar on its website.

Yes

R 4.1.6
In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes

R 4.1.8
In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

No, there were no other assignments.

R 4.1.9
In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

Yes

R 4.1.10
The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.

Yes, in the Annual Report and in the Report on Corporate Governance.

R 4.1.10.1
The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

No. The regarding information contained in the Corporate Governance Report of the Company. See 2.7.7.

R 4.1.11
In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

No. The Notes to financial statements in the Annual Report submitted to the General Meeting contain the aggregate remuneration of the members of the Board of Directors and the Supervisory Board. The attachment of the Company's Report on Corporate Governance describes the guidelines and practices regarding the remuneration of members of the Board of Directors, the Supervisory Board and the Executive Management. (See also R 2.7.7 point.)

R 4.1.12
The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes, they are disclosed as a part of the Annual Report and the annual review.

R 4.1.13
In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes

R 4.1.14
The company discloses its guidelines governing insider trading in the company's securities on its website.

No. The Company has the developed a set of rules comprising the prohibition of insider trading in accordance with the relevant statutory provisions.

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes, in the Notes to the Financial Statement in the Annual Report.

R 4.1.15
In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

No, there was no such relationship.

Level of compliance with the Suggestions

S 1.1.3 The company has an investor relations department.

Yes

S 1.2.1 The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy).

Yes

S 1.2.2 The company's articles of association are available on the company's website.

Yes

S 1.2.3 The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).

Yes

S 1.2.4 Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.

Yes. The Company published the invitation to the General Meeting as well as proposals, draft resolutions and the resolutions adopted by the General Meeting through its website, and on the website of BSE.
The Company complied with its duties in respect of depositing the minutes of the General Meeting in accordance with the relevant provisions of the Civil Code.

S 1.2.5 The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.

Yes

S 1.2.6 Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.

No, there were no additions.

S 1.2.7 The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.

Yes

S 1.2.11 At the shareholders' request, the company also provided information on the general meeting electronically.

Yes

S 1.3.1 The person of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.

Yes

S 1.3.2 The Managing Body and the Supervisory Board were represented at the general meeting.

Yes

S 1.3.3 The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.

No, the Statutes do not expressly contain this possibility; however, the Company's practice has allowed it over the years.

S 1.3.4 The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.

Yes

S 1.3.5 The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.

No, there were no such questions.

S 1.3.6 The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.

Yes

S 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting.

No. The Company has not published a press release nor held a press conference. The annual general meeting was open to representatives of the press based upon previous registration.

S 1.3.11 The company's general meeting decided on the different amendments of the articles of association in separate resolutions.

Yes

S 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.

Yes, the Company has published the resolutions and draft resolutions. Regarding the minutes of the AGM the Company fulfilled its obligation to deposit the minutes in accordance with the regulations of the Civil Code /See S 1.2.4/.

S 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.

Yes

S 1.4.2 The company disclosed its policy regarding anti-takeover devices.

Yes, it is included in the Statutes.

S 2.1.2 The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.

Yes

S 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.

Yes

S 2.3.2 Board members had access to the proposals of a given meeting at least five days prior to the board meeting.

Yes

S 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.

Yes

S 2.4.1 The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.

Yes

S 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2.

Yes

S 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.

Yes

S 2.5.2 The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.

Yes

S 2.5.3 The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.

No, because the functions of Chairman and Managing Director are separated.

S 2.5.5 The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.

Yes, this is the case, there are no such members.

S 2.7.5 The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.

Yes

S 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.

Yes

S 2.8.2 The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.

Yes

S 2.8.10 When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10.

Yes

S 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive management, and submitted its report on the matter to the Audit Committee/Supervisory Board.

Yes, the Company's auditor has examined the Company's risk management systems and the risk management activities of the Executive Management, which was appraised in the auditor's report.

S 2.9.1 The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.

No. In this respect the Board of Directors follows its practice.

S 2.9.1.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.

No. The Supervisory Board does not employ external advisors, however its Rules of Procedure cover this possibility.

S 2.9.1.2 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.

No. The Audit Board does not employ external advisors, however its Rules of Procedure cover this possibility.

S 2.9.1.3 The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.

No. The Corporate Governance and Nomination Subcommittee does not employ external advisors.

S 2.9.1.4 The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.

No. The Remuneration Subcommittee does not employ external advisors.

S 2.9.4 The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.

Yes

S 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.

Yes

S 3.1.2 The chairman of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.2.1 The chairman of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.2.2 The chairman of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.

Yes

S 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.

Yes

S 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.

Yes

S 3.2.2 The members of the Audit Committee/Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.

Yes

S 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.

No, the Corporate Governance and Nomination Subcommittee didn't prepared evaluation in year 2015.

S 3.3.4 The majority of the members of the Nomination Committee are independent.

Yes. The Company applies the criteria of independence set forth in the Civil Code.

S 3.3.5 The rules of procedure of the Nomination Committee includes those details contained in 3.3.5.

Yes

S 3.4.5 The Remuneration Committee prepared the Remuneration Statement.

No. The Notes to financial statements in the Annual Report submitted to the General Meeting contain the aggregate remuneration of the members of the Board of Directors and the Supervisory Board (see points R 2.7.7 and R 4.1.11).

S 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Managing Body.

Yes

S 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4.

Yes, see R 4.1.1.

The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.

Yes

S 4.1.7 The company's financial reports followed IFRS guidelines.

Yes

S 4.1.16 The company also prepares and releases its disclosures in English.

Yes.

Dated in Budapest, 26 April, 2016

William de Gelsey
Chairman of the Board of Directors

Christopher William Long
Member of the Board of Directors

11.

Amendments to the Company's Statutes

(changes in connection with transition to IFRS, change in maximum term of the statutory auditor's mandate, authorization of Board of Directors to increase the Company's registered capital)

Chemical Works of Richter Gedeon Plc

Explanation to the amendments of the Statutes proposed for the AGM in 2016

Statutes section	Explanation of proposed amendment
11.2	The aim of the amendment is that the Statutes show the constant tasks of the annual general meeting more exactly and better reflecting the actual practice. Therefore the list details the process of examination and approval by different organs of the consolidated (IFRS-compliant) annual report and of the individual annual report.
11.6	The amendment specifies in more details the mandatorily public content of the proposals for the AGM, with regard to the fact that the consolidated annual report (prepared pursuant to the IFRS) is one of the Company's most important reports.
12.1 (e)	Correction of the order in which the consolidated annual report and the individual annual report are approved by the AGM. Furthermore, specification of the text in the Hungarian version of the Statutes with regard to the fact that the Accounting Act use the term of "Nemzetközi Pénzügyi Beszámolási Standardok" for IFRS and clarifying addition ("annual") in the English version of the text with regard to the fact that the reports cover one business year.
16.3	The amendment specifies in more details the tasks of the Supervisory Board, with regard to the fact that the consolidated annual report (prepared pursuant to the IFRS) is one of the Company's most important reports.
16.14	The amendment specifies in more details the Audit Board's scope of activities and adds to it issuing an opinion on the consolidated annual report, with regard to the fact that the consolidated annual report (prepared pursuant to the IFRS) is one of the Company's most important reports and that the Audit Board issues an opinion on the consolidated annual report even under the current practice of the AGM and of the Board.
17.1	Pursuant to the amendment effective from July 07, 2015 of Section 58 of Act LXXV of 2007 on the Hungarian Chamber of Auditors, the audit activity and the public supervision of auditors, *"the [...] audit firm may not undertake to carry out the statutory audits of the same public-interest entity within four financial years of the date of expiry of the original term of appointment."* If the auditor may be appointed for a maximum term of three years, then this means that at the expiry of the appointment, neither the last, nor the previous auditor (firm) can be appointed. Therefore it is justified to utilize the statutory possibility and increase the maximum potential term of auditor appointment to five years. It will still remain the AGM who resolves the actual term of appointment for a given auditor.
17.3 17.4	The amendment specifies in more details the auditor's tasks, with regard to the fact that the consolidated annual report (prepared pursuant to the IFRS) is one of the Company's most important reports.
18.2 19.2	The amendment emphasizes that the Company prepares separately both a consolidated and an individual annual report.
19.4	The amendment emphasizes that the Company prepares separately both a consolidated and an individual annual report, and that the Board of Directors is only authorized to approve a non-consolidated interim balance sheet. (Also with regard to the fact that the interim balance sheet for the acquisition of treasury

	shares, the payment of interim dividends or capital increase does not have to be prepared in a consolidated form.)
19.5	The amendment implements in the Statutes the amendment of Section 3:263 of the Civil Code effective as of January 1, 2016. The amendment does not cause a material change in relation to the payment of interim dividends. Furthermore, the amendment standardizes the references to the Company's individual annual report, with regard to the fact that from 2016, the Company will prepare its individual annual report also pursuant to the International Financial Reporting Standards.
20.2	The amendment standardizes the references to the Company's individual annual report, with regard to the fact that from 2016, the Company will prepare its individual annual report also pursuant to the International Financial Reporting Standards.
20.3	The amendment records – on the same terms as before – the authorization to the Board of Directors by April 26, 2021 for the increase of registered capital.

12.

Report of the Board of Directors on the treasury shares acquired by the Company based upon the authorization in AGM resolution No. 12/2015.04.28.

Report of the Board of Directors on the treasury shares purchased on the basis of the authorization granted by Resolution No. 12/2015.04.28. of the AGM

Treasury shares

The AGM held on 28 April 2015 resolved that the Company should purchase its own common shares (treasury shares) with an aggregated nominal value not exceeding 10% of the registered capital.
Furthermore, the AGM resolved that the purchased treasury shares should be used for the following purpose:

- To promote Richter's strategic goals, in particular to use treasury shares as a payment istrument in acquisitions; and
- To provide the shares required for the share-based incentive scheme for Richter's employees and executives.

Based on the authorization the Company purchased 150,000 treasury shares on the Budapest Stock Exchange and 651,704 from its subsidiaries, as well as 375,304 treasury shares outside the stock exchange.

It has been the Company's intention to allocate treasury shares to its executives and employees in the context of its incentive policy.

The company operates two share incentive programmes described in detail below. In the Bonus Programmes employees will immediately become entitled to the shares; in the Employee Share Bonus Programme the shares are deposited and will be made available if the beneficiary is still employed by the Company at the time the shares are released.

Bonus Programme and Grant

In 1996 Gedeon Richter Plc. launched a bonus programme as an incentive for managers and key employees whose performance could have a significant influence on the Company's profitability. In 2015 a total of 750,295 and in 2014, 823,536 shares were distributed as bonuses to eligible employees and to those who achieved outstanding performance in the course of the year.

Programme Related to Employee Share Bonuses

In accordance with its employee share scheme, in 2015 the Company allocated 350,694 treasury shares to 4,356 employees. The shares will be deposited until 1 January 2018 on the employees' securities accounts kept with UniCredit Bank Hungary Ltd. In 2014, 478,725 treasury shares were allocated to 4,927 employees; the shares will remain in deposit until 2 January 2017 on the employees' securities accounts.

Budapest, March 2016

Erik Bogsch
Chief Executive Officer

13.

Authorization to the Board of Directors for the purchase of own shares of the Company

Proposal to Item No.:13
on the Agenda of the AGM

Resolution of the Board of Directors No.: 27/2016

The Board of Directors proposes to the AGM to make a resolution regarding the Company purchase its own common shares (i.e. shares issued by Gedeon Richter Plc.) having the face value of HUF 100, by the date of the year 2017 AGM, either in circulation on or outside the stock exchange, the aggregated nominal value of which shall not exceed 10% of the then prevailing registered capital of the Company (that is maximum 18,637,486 registered common shares) and at a purchase price which shall deviate from the trading price at the stock exchange at maximum by +10% upwards and at maximum by –10% downwards. The purchase of its own shares shall serve the following purposes:

- the facilitation of the realization of Richter's strategic objectives, thus particularly the use of its own shares as means of payment in acquisition transactions,
- the assurance of shares required for Richter's share-based incentive systems for employees and executive employees.

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

14.

Election of members of the Board of Directors

Proposal to Item No.:14
on the Agenda of the AGM

Resolution of the Board of Directors No.: 29/2016

The Board of Directors proposes the AGM to approve **the re-election of dr. Gábor Gulácsi** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2019.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by dr. Gábor Gulácsi.

Resolution of the Board of Directors No.: 30/2016

The Board of Directors proposes the AGM to approve **the re-election of Csaba Lantos** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2019.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by Csaba Lantos.

Resolution of the Board of Directors No.: 31/2016

The Board of Directors proposes the AGM to approve **the re-election of Christopher W. Long** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2019.

The Board of Directors has approved the resolution unanimously, without a vote against and abstained by Christopher W. Long.

Resolution of the Board of Directors No.: 32/2016

The Board of Directors proposes the AGM to approve **the election of dr. Norbert Szivek** as Member of the Board of Directors for a period of 3 years expiring on the AGM in 2019.

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

15.

Resolution on the remuneration of the members of the Board of Directors

Proposal to Item No.:15
on the Agenda of the AGM

Resolution of the Board of Directors No.: 33/2016

The Board of Directors proposes the AGM to approve the unchanged honoraria for the members of the Board of Directors for 2016 effective as of January 1, 2016 according to the following:

President of the Board of Directors:	HUF 625,000/month
Members of the Board of Directors:	HUF 520,000/month/member

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

Resolution of the Board of Directors No.: 34/2016

Pioneer Befektetési Alapkezelő Zrt. (Pioneer Investment Fund Manager Co. Ltd.) as a shareholder – relating to the outstanding results of the Company in 2015 – initiate that the president and the members of the Board of Directors shall receive reward equalling to their one month honoraria according to the following:

President of the Board of Directors:	HUF 625,000
Members of the Board of Directors:	HUF 520,000/member

The Board of Directors proposes the AGM to approve the shareholder's motion.

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

16.

Resolution on the remuneration of the members of the Supervisory Board

Proposal to Item No.:16
on the Agenda of the AGM

Resolution of the Board of Directors No.: 35/2016

The Board of Directors proposes the AGM to approve the unchanged honoraria for the members of the Supervisory Board for 2016 effective as of January 1, 2016 according to the following:

President of the Supervisory Board: HUF 460,000/month
Members of the Supervisory Board: HUF 375,000/month/member

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

17.

Election of the Company's statutory auditor

Proposal to Item No.:17
on the Agenda of the AGM

Resolution of the Board of Directors No.: 36/2016

The Board of Directors - based upon the motion of the Audit Board - proposes the AGM to approve the election of **PricewaterhouseCoopers Auditing Ltd.** (H-1055 Budapest, Bajcsy-Zsilinszky út 78., Chamber of Hungarian Auditors registration no.: 001464) as the Company's statutory **auditor** for a period of three years expiring on April 30, 2019, but not later than the approval of the 2018 consolidated report.

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

18.

Resolution on the remuneration of the Company's statutory auditor

Proposal to Item No.:18
on the Agenda of the AGM

Resolution of the Board of Directors No.: 37/2016

The Board of Directors - based upon the motion of the Audit Board - proposes the AGM to approve the honoraria amounting to **HUF 19 million/year + VAT** for **PricewaterhouseCoopers Auditing Ltd.** for its performance as auditor of the Company in 2016-2018. The honoraria includes the fee for the auditing of the 2016-2018 non-consolidated annual report, the fee for examining the consonance between the non-consolidated annual report and business report for 2016-2018, the fee for the auditing of the 2016-2018 consolidated report and business report prepared in accordance with IFRS accounting principles, the fee for reviewing the quarterly reports serving the purpose to inform the investors and sent to the BSE (Budapest Stock Exchange) and the MNB (central bank of Hungary), and the fee for auditing the Company's non-consolidated interim financial statement which shall be completed on the accounting date of August 31, 2016-2018.

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

19.

Miscellaneous