GEDEON RICHTER

PROPOSAL OF THE 2021 ANNUAL GENERAL MEETING

Chemical Works of Gedeon Richter Plc.

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

hereby informs its honorable shareholders that due to the situation caused by the coronavirus epidemic (Covid-19), pursuant to applicable laws (in particular Governmental Decree No. 502/2020. (XI. 16.) the annual general meeting previously scheduled for April 15, 2021 in the corporate action timetable for year 2021, cannot be held with personal attendance.

On the basis of the authorization given by Section 9 of Governmental Decree No. 502/2020. (XI. 16.), the Board of Directors of the Company is planning to pass resolutions on 15 April 2021 in the matters on the below agenda, published in the invitation to the Company's annual general meeting on March 12, 2021.

1. Report on the 2020 business activities of the Richter Group and presentation of the Richter Group's draft Consolidated Annual Report pursuant to the IFRS
2. Report of the Statutory Auditor on the Richter Group's draft 2020 Consolidated Annual Report pursuant to the IFRS
3. Report of the Supervisory Board including the report of the Audit Board on the Richter Group's draft 2020 Consolidated Annual Report pursuant to the IFRS
4. Approval of the Richter Group's draft 2020 Consolidated Annual Report pursuant to the IFRS
5. Report of the Board of Directors on the 2020 business activities of the Company (on the management, the Company's financial situation and business policy) and presentation of the Company's draft 2020 individual Annual Report prepared pursuant to the IFRS
6. Report of the Statutory Auditor on the Company's draft 2020 individual Annual Report prepared pursuant to the IFRS
7. Report of the Supervisory Board including the report of the Audit Board on the Company's draft 2020 individual Annual Report prepared pursuant to the IFRS
8. Approval of the Company's draft 2020 individual Annual Report pursuant to the IFRS
9. Resolution on the determination and allocation of the after-tax profit and the rate of dividends
10. Corporate Governance Report
11. Amendments to the Company's Statutes
12. Report of the Board of Directors on the treasury shares acquired by the Company based upon the authorization in resolution No.15/2020.04.28. of the Board of Directors acting in competence of the AGM
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. Election of members of the Supervisory Board and of the Audit Board
16. Resolution on the remuneration of the members of the Board of Directors
17. Resolution on the remuneration of the members of the Supervisory Board
18. Resolution on the remuneration of the Company's statutory auditor
19. Miscellaneous

In case the restrictions will be removed and the annual general meeting can be held, the venue of the AGM shall be at Gyömrői út 19-21., H-1103 Budapest

1.

Report on the 2020 business activities of the Richter Group and presentation of the Richter Group's draft Consolidated Annual Report pursuant to the IFRS

GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gabor Orban
Chief Executive Officer

Budapest, 10 March 2021

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December

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

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

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

10 March 2021

Chief Executive Officer

Consolidated Statement of Comprehensive Income

for the year ended 31 December

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

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

10 March 2021

Chief Executive Officer

Consolidated Balance Sheet

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

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

10 March 2021

Chief Executive Officer

Consolidated Balance Sheet

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

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

10 March 2021

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Chief Executive Officer

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

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

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

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

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

Consolidated Cash Flow Statement

for the year ended 31 December

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

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

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

Notes to the Consolidated Financial Statements

1. General background

I) Legal status and nature of operations

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

II) Basis of preparation

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

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

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

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

III) COVID-19 pandemic – crisis management

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

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

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

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

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

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

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

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

IV) Adoption of new and revised Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies

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

I) Basis of Consolidation

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

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

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

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between (1) the amount by which the non-controlling interests are adjusted, and (2) the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

II) Investments in joint ventures and associated companies

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

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses.
Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method.

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

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

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

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

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

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

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

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

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

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

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

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

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

IV) Revenue recognition and interest and dividend income
Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts as well as considering the estimated discounts to be provided after the sales already performed and after eliminating sales within the Group. Revenue on sales transactions is recognised upon fulfilment the terms of sales contracts.

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

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

B) Sale of pharmaceutical products (including wholesale and retail activity)
The Group manufactures and sells a range of pharmaceutical products. Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods or services transferred. The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. Sales are recognised when control of the products has transferred, generally being when the products are delivered to the wholesaler or other third party customer. Generally sale of pharmaceutical products are satisfied at point in time. To determine the point in time at which a customer obtains control the Group consider indicators that include, but are not limited, to the following:

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

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

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

Licenses that provide a right to use a Group's IP are performance obligations satisfied at the point in time when the customer can first use the IP, because the customer is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.
The revenue standard includes an exception for the recognition of revenue relating to licenses of IP with sales- or usage-based royalties. Consideration from a license of IP that is based on future sales or usages by the customer is included in the transaction price when the subsequent sales or usages occur.
Income arising from the sale/transfer or partial sale of intangible assets - capitalized or not - not directly attributable to current R&D expenses, is recognized as Other income and other expenses (net). Additionally, Other income and expenses (net) include milestone and down-payments realised on the sale/transfer of non-capitalized intangible assets.

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

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

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

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

A) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

B) Investment property

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

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

C) Right-of-use assets

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

VI) Goodwill

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

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

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

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

VII) Intangible assets

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

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

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

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

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

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

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

VIII) Impairment of tangible and intangible assets excluding goodwill

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

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

IX) Research and development

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

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

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

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

X) Financial assets

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

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

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

A) Debt instruments measured at amortised cost

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

B) Debt instruments measured at fair value through OCI

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold & sell" business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

E) Equity instruments measured at fair value through OCI

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

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

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

Impairment

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

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

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

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

XI) Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.
Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated at FVTPL or derivatives (expected or a derivative that is a financial guarantee contract). Financial liabilities at FVTPL are stated at fair value, with any gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

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

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

XII) Contingent-deferred purchase price

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

XIII) Non-current financial assets at fair value

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

XIV) Loans receivable

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

XV) Trade receivables

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

XVI.) Contract asset

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

XVII) Trade payables

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

XVIII) Contract liabilities

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

XIX) Derivative financial instruments

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

XX) Cash and cash equivalents

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

XXI) Borrowings

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

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

XXII) Inventories

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

XXIII) Provisions

Provisions are recognised when the Group has a current legal or constructive obligation arising as a result of past events, and when it is likely that an outflow of resources will be required to settle such an obligation, and if a reliable estimate for such amounts can be made. The Group measures the provisions at discounted value of the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the interest arising from the passage of time is accounted as interest expense. If it is no longer probable that economic resources will be required to fulfil the obligation, the provision should be reversed. The provision may be used only for the input for which it was originally recognized.

Provisions should be made for:

- sanctions and remediation costs related to **environmental damage**, which will lead to outflow of resources representing economic benefits regardless of the Group's future actions. The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the Group has constructive or legal obligation to perform these remedial works and when expenditure on such remedial work is probable and its costs can be estimated within a reasonable range. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The Group did not have legal or constructive obligation in relation to environmental expenditures as of 31 December 2020 and as of 31 December 2019.
- the expected liabilities in respect of **non-closed litigation cases**, if it is probable that the Group will have a payment obligation as a result of the decision
- as a guarantee and **guarantee commitment** if the amount of the expected payment can be estimated from previous practice
- long-term defined (retirement) **benefit plans**
- **reorganization costs** if the general conditions for provisioning are met.

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

XXIV) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.
The Group considers the following taxes to qualify to be income tax under IAS 12:

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

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

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

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

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

In case the Group is eligible for investment tax credit, the initial recognition exception is applied therefore no deferred tax is recognised in connection with this investment (see Note 8).

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

XXVIII) Pension program and other long-term employee benefits

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

Defined benefit pension plan

The Group operates a post-employment defined benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19 for post-employment retirement benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method) and valued at present value by using actuarial discount rate. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged to the Retained Earnings (presented on Other Comprehensive Income as item that is not reclassified later in profit and loss).

Defined contribution plans

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

Termination benefit

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

XXIX) Share-based payments

Equity settled share-based payments

The Group is granting treasury shares to certain employees in its employee share bonus programs. Details of these bonus programs are set out in Note 26. These bonus programs are accounted for as equity-settled share-based payments and from year 2018 cash-settled share-based payments.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis (adjusted with the change in estimate) over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions.

Cash-settled share-based payments

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

XXX) Government grants

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

XXXI) Share Capital

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

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

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

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

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

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

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

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

3.1 Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in point VI). The impairment assessment performed by the Group contains significant estimates that depend on future events. The assumptions used and the sensitivity of the estimation is presented in details in Note 19.

Depreciation and amortization

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

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

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

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

Uncertain tax position in Romania

From 1 October 2009 the Government approved a debated claw-back regime (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS (Casa Nationala de Asigurari Sanatate) by the domestic manufacturers and wholesalers in the range of 5-12 % from sales of reimbursed drugs. The related uncertain tax position is disclosed in more details in Note 37.

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

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

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

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

3.2 Critical judgements in applying entities accounting policies

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

4. Segment Information

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

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

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

I) Business segments

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

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

II) Entity wide disclosures

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

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

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

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

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

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

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

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

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

5. Profit from operations – expenses by nature

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

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

Deloitte Auditing and Consulting Ltd.

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

Deloitte Network

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

The balance of impairment on financial and contract assets

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

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

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

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

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

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

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

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

Depreciation charge of right-of-use assets:

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

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

6. Employee information

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

7. Net financial result

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

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

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

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

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

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

8. Income tax expense

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

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

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

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

Parent Company	9%
Romania	16%
Russia	15.5%
Poland	19%

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

Relating to uncertain tax position please see Note 37.

Tax rate reconciliation

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

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

Investment tax credit

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

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

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

Accounting treatment of the tax credit

The Company assessed this tax credit to be an investment tax credit and applied the initial recognition exception stated in IAS 12.24 and did not recognise any deferred tax in connection with tax credit.

9. Consolidated earnings per share

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

EPS (basic and diluted)

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

10. Financial instruments

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

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

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

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

Financial risk management

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

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

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

I.) Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Note 30 offset by cash and bank balances in Note 24) and equity of the Group (comprising share capital, retained earnings, other reserves and non-controlling interests).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is also monitoring the individual entities to meet their statutory capital requirements.
The Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash flow and the financing needs of the ongoing acquisition projects.
The amount of 2020 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

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

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

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

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

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

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

II.) Foreign currency risk

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

Foreign exchange sensitivity of profit

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

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

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

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

* Change of EUR/HUF average exchange rates.

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

* Change of EUR/HUF average exchange rates.

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

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

Currency sensitivity of balance sheet items

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

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

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

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

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

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

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

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

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

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

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

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

III.) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group regularly assesses its customers and establishes payment terms and credit limits associated to them. Richter also reviews the payment of the receivables on a regular basis and monitors the overdue balances. The Group also regularly requires securities (e.g. credit insurance, bank guarantees) from its customers. If the customers reached the contractual credit limit and even not able to present any securities required, further shipments can be suspended by the Group.

The Group does business with key customers in many countries. These customers are major import distributors in their countries and management of the Group maintains close contact with them on an ongoing basis. In 2020 there is only one customer (Allergan) where the turnover exceeds 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar®.

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

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

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

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

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

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

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

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

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

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

IV.) Liquidity risk

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

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

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

11. Fair Value of Financial Instruments

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

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

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

a) Recurring fair value measurements

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

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

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

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

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

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

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

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

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

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

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

(b) Non-recurring fair value measurements

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

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

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

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

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

12. Financial derivative instruments

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

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

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

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

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

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

13.1 Property, plant and equipment

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

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

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

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

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

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

13.1.2 Right-of-use assets

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

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

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

13.2 Other intangible assets

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

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

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

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

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

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

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

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

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

Rights – ESMYA EU intangible asset

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

ESMYA North American intangible asset

In 2019 the registration application of ESMYA® in the USA was withdrawn and neither the Company nor its license partner Allergan would like to submit a new application. Based on the above the Company determined that 100% impairment should be accounted for the USA related part of the NA ESMYA intangible asset.

During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Result of ESMYA EU and NA intangible asset impairment tests as of 31 December 2019

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

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

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

Rights – ESMYA LatAm intangible asset

During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Rights – ESMYA other countries’ intangible assets

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

Rights – Grünenthal

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

Rights – Relugolix

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

Rights – Mithra/Estelle

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

Rights – Mycovia

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

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

Rights – Bemfola®/Afolia

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

Rights – Pharmalicences

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

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

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

14. Consolidated companies

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

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

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

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

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

<u>Subsidiaries newly included in the consolidation</u>

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

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

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

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

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

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

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

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

15. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16.3. Long-term receivables

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

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

17. Current income tax and deferred tax

Current tax assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Loans receivable

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

19. Goodwill

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

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

Closing goodwill on Cash Generating Units (Companies)

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

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

Gedeon Richter Polska Sp. z o.o.

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

Armedica Trading Group

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

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

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

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

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

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

GRMed Company Ltd.

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

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

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

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

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

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

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

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

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

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

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

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

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

The discount rate (post tax: 7.1%; in 2019 8.6%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
An increase in post-tax discount rate to 8.6% or a 3.7% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

20. Inventories

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

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

21. Trade receivables

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

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

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

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

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

Impairment of trade receivables

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

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

22. Other current assets and contract assets

22.1 Other current asset

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

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

22.2 Contract assets

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

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

23. Current financial assets at fair value

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

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

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

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

24. Cash and cash equivalents

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

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

Reconciliation to Consolidated Cash Flow Statement

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

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

25. Share capital and reserves

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

Detailed ownership structure of the Parent 31 December 2020

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

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

Detailed ownership structure of the Parent 31 December 2019

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

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

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

The Group does not have any (ultimate) controlling party. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

Foreign currency translation reserves

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss.
Changes of foreign currency translation reserves are presented in the Consolidated Statement of Changes in Equity.

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

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

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

Equity-settled share based payment presented within retained earnings

Equity-settled employee benefits reserve is presented within Retained earnings, therefore the current year's effect is shown in the Consolidated Statement of Changes in Equity.
The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Please see more details in Note 26 Treasury shares.

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

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

26. Treasury shares

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

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

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

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

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

The AGM held on 28 April 2020 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 230,073 treasury shares during the year.

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

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

27. Trade payables

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

28. Other payables and accruals and Contract liabilities

28.1 Other payables and accruals

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

28.2 Contract liabilities

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

29. Provisions

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

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

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

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

Defined retirement benefit plans at the Parent

Actuarial valuation related to retirement benefit plans

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

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

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

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

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

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

The valuation method

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

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

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

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

The principal actuarial assumptions were as follows:

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

Discount rate

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

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

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

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

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

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

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

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

30. Net debt reconciliation

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

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

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

31. Other non-current liabilities and accruals

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

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

32. Dividend on ordinary shares

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

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

33. Agreed capital commitments and expenses related to investments

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

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

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

34. Operating lease – Group as lessee

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

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

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

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

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

35. Guarantees provided by the Group

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

36. Social security and pension schemes

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

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

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

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

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

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

37. Contingent liabilities

Uncertain tax positions in Romania
From 1 October 2009 the Government approved a debated claw-back regime in the range of 5-12% (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the domestic manufacturers and wholesalers from sales of reimbursed drugs. The Group has similar taxes in other countries which are treated as other expense in the Consolidated Financial Statements.

On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers.

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

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

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

38. Related party transactions

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

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

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

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

38.1 Related parties

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

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

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

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

38.2 Remuneration of the Board of Directors and the Supervisory Board

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

38.3 Key management compensation

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

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

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

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

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

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

40. Changes in accounting policy

The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then amortization calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been usually determined to be nil. Previously, the amortisation expense of product rights, and other rights related to products are presented in two separate line items in the Income statement:

- Cost of sales
- Sales and marketing expenses.

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

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

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

41. Notable events in 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42. Events after the date of the balance sheet

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

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

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

43. Approval of financial statements

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

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

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GEDEON RICHTER PLC.

CONSOLIDATED BUSINESS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gabor Orban
Chief Executive Officer

Budapest, 10 March 2021

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1. General data

1.1. A brief history of Richter Group

The parent company

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

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

Due to the involvement of Hungarian and international investors the Company's capital was increased by HUF 4.4 billion to reach HUF 17.6 billion on 28 September 1994 and its shares were listed on the Budapest Stock Exchange. Privatization connected with the capital increase resulted in the expansion of sources of financing. The current share structure of the Company is disclosed in chapter 1.3 of the consolidated business report.
On 11 February 2019 it was announced that of Richter's shares held by the State a packet of 10% of the total shares would be transferred to Maecenas Universitatis Corvini Foundation, an entity exclusively owned by the State and set up to operate Corvinus University of Budapest starting from 1 July 2019. In May of 2020 it was announced that another block of Richter's shares held by the State, 10% of the total shares, would be transferred to Tihany Foundation. The above share transfers were concluded in August and June of 2020 respectively.

Major acquisitions to promote the expansion of the Company

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

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

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

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

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

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

Richter's business model

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

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

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

Richter Group companies are classified into the following six categories:

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

1.2. Main objectives for 2020

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

In 2020 major changes took place in the following areas:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3. Share structure of Richter Group

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

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

1.4. Treasury shares held by the Group

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

1.5. Corporate governance

Statement on corporate governance

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

Corporate bodies

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

Rules of amendment to the Statutes:

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

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

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

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

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

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

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

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

<u>Risk management and internal control</u>

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

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

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

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

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

Policy of diversity

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

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

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

The goals formulated in the Policy in conjunction with the leading bodies envision that

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

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

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

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

Global Compliance Program

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

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

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

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

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

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

In 2020 Richter’s education strategy was focused on identifying compliance and data protection training necessary for every employee across the board, and training needed in certain jobs. By the end of 2020 staff training was completed in regard of the Code of Ethics, the Compliance Hotline, the Confidentiality Regulations which entered into force this year, and the Conflict of Interest Policy.

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

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

1.6. Branches of the Parent Company

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

1.7. Other information

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

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

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

2. The Group's 2020 operating review

2.1 The balance sheet as of 31 December 2020

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

2.2 The 2020 income statement

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

3. Functional activities of the Group

3.1 Research and development

Innovation and the research of proprietary drug molecules have been key elements in the parent company's strategy since its foundation in 1901. Gedeon Richter Plc is the only Hungarian-based pharma company today with R&D staff exceeding 1,000 and is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology and generic research and development.
R&D expenses was 9.5% of sales income in 2020 and amounted HUF 53,977 million.

Original research of Central Nervous System

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

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

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

Women's Healthcare

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

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

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

Generic research

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

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

are conducted predominantly at the parent company, development sites of the subsidiaries have been appreciated as regards generic R&D (Gedeon Richter Romania S.A., Gedeon Richter Polska Sp. z o.o.).

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

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

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

Biotechnology

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

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

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

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

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

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

3.2 Production

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

As regards finished products manufactured by subsidiaries, the Russian subsidiary achieved a slight increase in terms of packaging units; conversely, the production of the Romanian and the Polish subsidies somewhat declined.
The mandatory introduction of serialisation of European products had a negative effect on finished products packaging capacities and efficiency in 2019. Russian serialisation was also started but due to adequate preparation and previous experience, it caused no production problems.
Cooperation between the parent company and the subsidiaries that are active in the pharmaceutical production business has been intensive and involves an increasing number of products; in addition to manufacturing own-produced products, it takes the shape of product transfer, sourced production and development; as a result, the Group's Polish, Russian and Romanian members are becoming reliable sourcing companies.

3.3 Environmental protection

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

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

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

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

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

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

3.4 Occupational health and Safety

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

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

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

4. Human resource management

One of Richter Group's strategic goals is to develop operability with an organization that is best suited to changing environment, tasks and ever greater challenges. Human resource, the people who are at the basis of Group's continued success in business and science play a key part in this effort.
Careful recruitment policies are critical for enhancing and sustaining Richter's performance. Supporting the professional development and improving the quality of life of staff and retention of high performers are priority tasks in the interest of achieving the business goals, and involve IT skills and language proficiency development in addition to the in-service training required by the regulatory authority.
The Group is aiming at providing equal employment opportunities, and strives to treat all applicants and employees equally irrespective of their racial or ethnic background, colour, religious conviction, origin, sex, sexual orientation or identity and its manifestation, age, nationality, family status, pregnancy, family planning or related health status, genetic traits, military service, health status or other traits described in the relevant statutory provisions.
Professional and management career opportunities are open for Richter Group's female employees.

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

5. Capital expenditure

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

6. Risk management

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

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

Strategic risks

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

Pharmaceutical industry related price reimbursement, operational and compliance risks

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

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

* Risk management succeeded in offsetting exposure and risk probability.

Financial risks

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

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

* Risk management succeeded in offsetting exposure and risk probability.

7. Events after the reporting period

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

8. Future outlook

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

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

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

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

2.

Report of the Statutory Auditor on the Richter Group’s draft 2020 Consolidated Annual Report pursuant to the IFRS

Deloitte.

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Richter Gedeon Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Other Matters

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

Other Information

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

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

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the consolidated business report is consistent with the consolidated financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

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

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

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

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

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

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

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

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Budapest, March 10, 2021

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

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

Registration number of statutory registered auditor: 003449

3.

Report of the Supervisory Board including the report of the Audit Board on the Richter Group's draft 2020 Consolidated Annual Report pursuant to the IFRS

The Supervisory Board of
Gedeon Richter Plc.

Report

to the 2021 Annual General Meeting of Gedeon Richter Plc.

on the 2020

Consolidated Annual Financial Statements of Richter Group

The Supervisory Board reviewed the 2020 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.

According to the audited Consolidated Annual Financial Statements, Gedeon Richter Plc. performed the consolidation in compliance with the relevant statutory provisions and standards.

Proposal for the approval of the 2020 Consolidated Financial Statements of Gedeon Richter Plc.

Having reviewed the Consolidated Audited Financial Statements of Richter Group for 2020 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 Deloitte Auditing and Consulting Limited, 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 2020 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 948,589 million), duly audited in compliance with the International Accounting Standards.

- The after-tax profit specified in the audited Consolidated Income Statement for 2020 (before dividend payment) being HUF 106,052 million.

Budapest, 10 March 2021

Dr. Attila Chikán
Chairman of the Supervisory Board

4.

Approval of the Richter Group’s draft 2020 Consolidated Annual Report pursuant to the IFRS

<u>Proposal to Item No.:4</u>
<u>on the Agenda of the AGM</u>

<u>Resolution of the Board of Directors No.: 27/2021</u>

The Board of Directors proposes to the AGM to approve the Company's draft 2020 consolidated annual report pursuant to the IFRS.

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

5.

Report of the Board of Directors on the 2020 business activities of the Company (on the management, the Company’s financial situation and business policy) and presentation of the Company’s draft 2020 individual Annual Report prepared pursuant to the IFRS

GEDEON RICHTER PLC.

IFRS FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gábor Orbán
Chief Executive Officer

Budapest, 10 March 2021

Gedeon Richter Plc.

FINANCIAL STATEMENTS

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Income Statement

	Notes	2020 HUFm	2019 HUFm Restated*
Revenues	4	**412,974**	**366,524**
Cost of sales		(134,482)	(124,269)
Gross profit		**278,492**	**242,255**
Sales and marketing expenses		(92,271)	(102,819)
Administration and general expenses		(17,034)	(18,407)
Research and development expenses		(53,023)	(48,001)
Other income and other expenses (net)	5	(14,183)	(12,627)
Net impairment losses on financial and contract assets		(1,774)	(446)
Profit from operations	5	**100,207**	**59,955**
Finance income	7	36,101	35,072
Finance costs	7	(37,585)	(38,002)
Net financial income/(loss)	7	**(1,484)**	**(2,930)**
Profit before income tax		**98,723**	**57,025**
Income tax	8	(5,506)	(6,625)
Profit for the year		**93,217**	**50,400**
Consolidated Earnings per share (HUF)	9		
Basic and diluted		563	253

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

The notes on pages 9 to 75 form an integral part of the Financial Statements.

10 March 2021

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Chief Executive Officer

Statement of Comprehensive Income

	Notes	2020 HUFm	2019 HUFm
Profit for the year		**93,217**	**50,400**
Other comprehensive income			
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial loss on retirement defined benefit plans	29	(1,840)	(708)
Changes in the fair value of equity investments at fair value through other comprehensive income	25	(1,588)	4,697
		(3,428)	**3,989**
Other comprehensive income for the year		**(3,428)**	**3,989**
Total comprehensive income for the year		**89,789**	**54,389**

The notes on pages 9 to 75 form an integral part of the Financial Statements.

10 March 2021

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Chief Executive Officer

Balance Sheet

	Notes	31 Dec. 2020 HUFm	31 Dec. 2019 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	13	196,497	185,786
Intangible assets	13	97,567	81,491
Investments in subsidiaries, associates and joint ventures	14, 15	126,217	131,828
Non-current financial assets carried at fair value through profit or loss	16	10,797	5,427
Non-current financial assets carried at fair value through other comprehensive income	16	37,977	13,760
Loans receivable	18	34,915	45,403
Long term receivables	16	1,481	2,837
		505,451	466,532
Current assets			
Inventories	20	77,256	65,198
Trade receivables	21	138,961	138,082
Contract assets	22	1,405	2,074
Other current assets	22	23,040	23,987
Current financial assets at fair value	23	7,142	1,545
Current tax asset	17	70	760
Cash and cash equivalents	24	116,393	102,842
		364,267	334,488
Assets classified as held for sale	39	192	-
		364,459	334,488
TOTAL ASSETS		869,910	801,020
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	18,638	18,638
Treasury shares	26	(951)	(3,875)
Share premium	25	15,214	15,214
Capital reserves	25	3,475	3,475
Revaluation reserve for securities at FVOCI	25	665	9,507
Retained earnings		756,349	674,100
		793,390	717,059
Non-current liabilities			
Other non-current liabilities and accruals	31	9,293	11,136
Provisions	29	5,372	3,075
		14,665	14,211
Current liabilities			
Borrowings	30	4,961	1,517
Trade payables	27	36,717	45,495
Current tax liabilities	17	590	8
Other payables and accruals	28	18,351	21,519
Provisions	29	1,236	1,211
		61,855	69,750
TOTAL EQUITY AND LIABILITIES		869,910	801,020

The notes on pages 9 to 75 form an integral part of the Financial Statements.

10 March 2021

Chief Executive Officer

Statement of Changes in Equity

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for securities at FVOCI	Retained earnings	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2019		**18,638**	**15,214**	**3,475**	**(283)**	**4,810**	**640,415**	**682,269**
Profit for the year		-	-	-	-	-	50,400	50,400
Actuarial loss on defined benefit plans	29	-	-	-	-	-	(708)	(708)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	4,697	-	4,697
Comprehensive income for year ended 31 December 2019		**-**	**-**	**-**	**-**	**4,697**	**49,692**	**54,389**
Purchase of treasury shares	26	-	-	-	(5,460)	-	-	(5,460)
Transfer of treasury shares	26	-	-	-	1,868	-	(1,868)	-
Recognition of share-based payments	25	-	-	-	-	-	4,498	4,498
Ordinary share dividend for 2018	32	-	-	-	-	-	(18,637)	(18,637)
Transactions with owners in their capacity as owners for year ended 31 December 2019		**-**	**-**	**-**	**(3,592)**	**-**	**(16,007)**	**(19,599)**
Balance at 31 December 2019		**18,638**	**15,214**	**3,475**	**(3,875)**	**9,507**	**674,100**	**717,059**
Balance at 1 January 2020		**18,638**	**15,214**	**3,475**	**(3,875)**	**9,507**	**674,100**	**717,059**
Profit for the year		-	-	-	-	-	93,217	93,217
Actuarial loss on defined benefit plans	29	-	-	-	-	-	(1,840)	(1,840)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	(8,842)	7,254	(1,588)
Comprehensive income for year ended 31 December 2020		**-**	**-**	**-**	**-**	**(8,842)**	**98,631**	**89,789**
Purchase of treasury shares	26	-	-	-	(1,650)	-	-	(1,650)
Transfer of treasury shares	26	-	-	-	4,574	-	(4,574)	-
Recognition of share-based payments	25	-	-	-	-	-	(67)	(67)
Ordinary share dividend for 2019	32	-	-	-	-	-	(11,741)	(11,741)
Transactions with owners in their capacity as owners for year ended 31 December 2020		**-**	**-**	**-**	**2,924**	**-**	**(16,382)**	**(13,458)**
Balance at 31 December 2020		**18,638**	**15,214**	**3,475**	**(951)**	**665**	**756,349**	**793,390**

The notes on pages 9 to 75 form an integral part of the Financial Statements.

Cash Flow Statement

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm
Operating activities			
Profit before income tax		98,723	57,025
Depreciation and amortisation	5,13	27,800	26,570
Non-cash items accounted through Income Statement		5,227	2,217
Net interest and dividend income	7	(8,936)	(12,133)
Reclass of results on changes of property, plant and equipment and intangible assets		697	(103)
Impairment recognised on intangible assets	13	4,477	10,005
Impairment on investments	14	10,553	29,330
Expense recognised in respect of equity-settled share-based payments	25	3,447	2,657
Movements in working capital			
Increase in trade and other receivables	21,22	(181)	(17,260)
Increase in inventories	20	(14,917)	(6,779)
(Decrease)/increase in payables and other liabilities	27,28,31	(10,095)	2,909
Interest paid	7	(219)	(207)
Income tax paid	17	(4,234)	(4,866)
Net cash flow from operating activities		**112,342**	**89,365**
Cash flow from investing activities			
Payments for property, plant and equipment	13	(32,893)	(31,530)
Payments for intangible assets	13	(29,198)	(11,999)
Proceeds from disposal of property, plant and equipment		306	1,352
Payments to acquire financial assets		(46,555)	(19,880)
Proceeds on sale or redemption on maturity of financial assets		11,544	4,731
Disbursement of loans		(5,684)	(7,268)
Loans repaid by borrowers		7,455	10,572
Government grant received related to investments	31	2,197	2,400
Interest received	7	2,589	3,376
Dividend received	7	6,566	5,114
Net cash outflow on acquisition of subsidiaries	14	(3)	-
Net cash flow to investing activities		**(83,676)**	**(43,132)**
Cash flow from financing activities			
Purchase of treasury shares	26	(1,650)	(5,460)
Dividend paid	32	(11,741)	(18,637)
Principal elements of lease payments	13	(887)	(722)
Repayment of borrowings	30	(4,996)	-
Net cash flow to financing activities		**(19,274)**	**(24,819)**
Net increase in cash and cash equivalents		**9,392**	**21,414**
Cash and cash equivalents at beginning of year	**24**	**101,325**	**79,719**
Effect of foreign exchange rate changes on the balances held in foreign currencies		715	192
Cash and cash equivalents at end of year	**24**	**111,432**	**101,325**

The notes on pages 9 to 75 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. General background

I. Legal status and nature of operations

Gedeon Richter Plc. ("the Company") is a manufacturer of pharmaceutical products registered in Hungary. The Company was established in 1923. The predecessor of the Company was founded in 1901 by Mr. Gedeon Richter, by acquiring 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.

Name of the Company	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 of the Company:	2510 Dorog, Esztergomi út 27. 4031 Debrecen, Richter Gedeon utca 20. 4031 Debrecen, Kígyóhagyma utca 8. 6720 Szeged, Eötvös u 6. 7673 Kővágószőlős, 505/2 hrsz.
Website of the Company:	www.richter.hu
Date of the first Articles of Association:	24 July 1923
Date of the effective Articles of Association:	28 April 2020
Reference and place of last Company Court registration:	Cg. 01-10-040944 Budapest
Current registered capital:	HUF 18,637,486,000
Principal activity:	Manufacture of pharmaceutical products
TEÁOR No.:	2120'08
Duration of the Company:	Indefinite
Business year:	Corresponding to the calendar year
Name and address of the auditor company:	Deloitte Könyvvizsgáló és Tanácsadó Ltd.
	1068 Budapest, Dózsa György út 84/C.
The person responsible for the audit is:	Tamás Horváth
Registration number at the Chamber of Hungarian Auditors:	003449
Company announcements are published in:	Company Gazette
	www.richter.hu www.bet.hu
Name of the person authorized to sign on behalf of the Company:	Gábor Orbán
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

II. Basis of preparation

This report is the Company's separate annual financial statement, and it has been prepared in accordance with the International Financial Reporting Standards ('IFRS') accepted by the European Union (EU).

The statement prepared for the balance sheet date as of 31 December 2020 is a complete set of separate IFRS financial statement of the Company, including comparative figures for the previous period, i.e. the closing balance of 31 December 2019.

The Company also prepares consolidated financial statements and consolidated business report as parent company of the group. These financial information can be downloaded from:
http://www.richter.hu/en-US/investors/Pages/Annual-General-Meeting.aspx

The financial statements have been prepared on the historical cost basis of accounting except for certain financial instruments which are valued at fair value. The amounts in the separate financial statements are stated in millions of Hungarian Forints (HUFm), unless stated otherwise.

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

The preparation of separate 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 accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

III. The impact of the COVID-19 pandemic on the Company

A vertically integrated business model coupled with a corporate culture based on trust and cooperation enabled the Company to continue its business undisturbed despite the extraordinary situation.
Richter continues to be well capitalised with a positive cash flow, and its stringent customer credit policy continues to contribute to maintaining its resilience to stress in periods of global economic challenge. There has been no deterioration whatsoever in solvency or willingness to pay in the period of reporting or in the period that has elapsed since the drafting of the report. Receivables from customers and allowances for such receivables are presented in Note 21 to the Financial Statements.
Amidst the uncertainty brought by the pandemic, regulatory authorities put greater emphasis on expectations regarding corporate liquidity and liquidity risk management. Disclosures on the Company's liquidity are reported in Point IV) of Note 10.
The COVID-19 pandemic caused significant changes and volatility to exchange rates in the course of 2020. Obviously the Company strives to ease exchange rate risks by natural hedging. Many of the currencies important for the Company saw exchange rates change significantly, by over 10% (EUR and CHF strengthened and RUB weakened) compared to the forint. Disclosures regarding HUF-related exchange rate risks are reported in Point II) of Note 10.
The Company has not concluded major lease agreements; therefore the value of COVID-19-related lease payment allowances is not significant. The Company did not make use of the single lessee accounting model introduced by the new IFRS 16 lease accounting standard. Disclosures in respect of right-of-use assets are reported in Note 13, and lease liabilities are disclosed in Notes 28 and 31.
In sales, demand dropped as a result of limitations in physical doctor-patient contacts, and supply dropped because of more stringent regulations imposed on promotion involving personal visits. Notwithstanding the above restrictions related to the COVID-19 pandemic, the Company's business was balanced throughout the year, and customers' needs were satisfied fully and in a timely fashion. The rising trend of revenues has been unbroken, and record profit was ensured by steadily rising income from Vraylar® sales in the USA. Detailed information on revenue by segments is reported in Note 4.
The Company successfully managed disruptions in the supply chain; however, inventories are kept at higher levels in preparation for possible future difficulties. Inventories are reported in detail in Note 20.
The Company introduced additional protective measures in harmony with the nationwide extraordinary restrictions imposed by the Hungarian government.
Preserving the health of staff continues to be the Company's top priority goal. Measures have been introduced regarding social distancing in common areas. The Company supported home office for employees who are able to meet their job-related duties by remote work. Face masks were provided for staff members who have to come to work, and the Company installed sanitizing equipment in all common areas. In an effort to help commuting staff avoid the use of public transport Richter supports the use of own vehicles by paying a contribution based on daily accounting. The above measures generated unforeseen expenditure amounting to HUF 355 million in 2020, and an additional HUF 486 million were paid in extraordinary wage bonus to employees working in hazardous jobs.
The arising additional expenditure was partially offset by the state support from European Union resources (HUF 461 million) the Company received as wage subsidy to highly qualified research, development and innovation staff pursuant

to Government Decree 103 of 2020 (10 April) on the Economy Protection Action Plan supporting employment in the RD&I sector during the state of danger.
In consideration of the extraordinary situation caused by the COVID-19 pandemic and specifically of the challenges facing health care institutions Gedeon Richter Plc. paid HUF 2 million in support of each hospital and health care clinic Richter has cooperated with over the past 10 years in the context of the Heath City Programme. The total of HUF 140 million was made available to the 70 recipient Hungarian health care institutions in the form of free immediate support.

IV. Adoption of new and revised standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any other new/modified standard or interpretation is not expected to have a significant impact on the financial statements of the Company.

2. Summary of significant accounting policies

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

I) Transactions and balances in foreign currencies

The financial statements are prepared and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional and presentation currency of the Company is Hungarian Forint (HUF).

Foreign currency transactions are translated to 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.

The Company recognizes the foreign currency monetary assets and liabilities using the Hungarian National Bank (MNB) currency rate as of the recognition. The Company revaluates at the year end all monetary assets and liabilities using the year end exchange rate of MNB. In case the foreign currency is not registered by the Hungarian National Bank, the Company uses the Bloomberg transactional currency/USD and the MNB HUF/USD cross rates for determining the foreign exchange rate.

II) Revenue recognition, interest and dividend income

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates, discounts as well as considering the estimated discounts to be provided after the sales already performed. Revenue on sales transactions is recognised upon fulfillment the terms of sales contracts.

A) <u>Sales revenue</u>
Revenue is defined as income arising in the course of an entity’s ordinary activities. The Company’s revenue primarily comes from:

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

B) Sale of pharmaceutical products (including wholesale and retail activity)
The Company manufactures and sells a range of pharmaceutical products. Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods or services transferred. The Company includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
The Company accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. Sales are recognised when control of the products has transferred, generally when the products are delivered to the wholesaler or other third-party customer. Generally sale of pharmaceutical products are satisfied at point in time. To determine the point in time at which a customer obtains control, the Company consider indicators that include, but are not limited, to the following:

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

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

C) Licences and royalties
A license arrangement establishes a customer's rights related to the Company's intellectual property and the obligations of the Company to provide those rights. The Company assesses each arrangement where licenses are sold with other goods or services to conclude whether the license is distinct and therefore a separate performance obligation. For licenses that are not distinct, the Company combines the license with other goods and services in the contract and recognize revenue when (or as) it satisfies the combined, single performance obligation. Licenses that provide access to a Company's IP are performance obligations satisfied over time, and therefore revenue is recognized over time once the license period begins, as the customer is simultaneously receiving and consuming the benefit over the period it has access to the IP.
Licenses that provide a right to use the Company's IP are performance obligations satisfied at the point in time when the customer can first use the IP, because the customer is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.
The revenue standard includes an exception for the recognition of revenue relating to licenses of IP with sales- or usage-based royalties. Consideration from a license of IP that is based on future sales or usages by the customer is included in the transaction price when the subsequent sales or usages occur.
Income arising from the sale/transfer or partial sale of intangible assets - capitalized or not - not directly attributable to current R&D expenses, is recognized as Other income and other expenses (net). Additionally, Other income and expenses (net) include milestone and down-payments realised on the sale/transfer of non-capitalized intangible assets.

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

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

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

III) Property, plant and equipment, Right-of-use assets

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

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

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

Name	**Depreciation**
Land	0%
Buildings	1-10%
Plant and equipment	
Plant and machinery	*5-20%*
Vehicles	*20%*
Office equipments	*8-33,33%*

The Company accounts full depreciation for the low value assets (having lower gross value than HUF 100,000) at recognition, so when the asset is available for use.

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. The depreciation is calculated on a daily basis and accounted for on a monthly basis. The accounting system is recording in parallel the accounting and tax deprecation.

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 Company 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 capitalized.

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 as "Other income and other expenses (net)".

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 Company. Residual value of cars is 20% of their initial cost.

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

B) Right-of-use assets

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

recognise the depreciation of the right-of-use asset from the commencement date to the earlier of the following dates: a) the end of the useful life of the underlying asset and b) the end of the lease term.

IV) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Company presents among the intangible assets the rights, intellectual property and research and development assets. These are mainly purchased trademarks, licenses, patents and software, which can be recognized as intangibles 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 intangible assets are presented in Note 13.

The intangible assets are amortized through the estimated useful life using straight-line amortization method generally applying a rate between 4-33%. The useful life cannot be longer than the contractual period to which it relates, it generally agrees to that. In case the professional estimate is that the Company will use it for a shorter period, this estimated period will be used for the basis of amortization. In case the contract can be renewed, the cost of renewal is capitalized and will be amortized.

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.

V) Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amount of the 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 Company 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)”.

The company does not recognise amortization for intangible assets with indefinite useful lives or intangible assets that are not yet available for use, but based on indicators annually reviews the necessity of impairment.

VI) Research and development

Cost incurred on development projects are recognised as expense unless 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 Company’s intention to complete the intangible asset and use or sell it;
- The Company’s ability to use or sell the intangible asset;
- To prove that the intangible asset will generate probable future economic benefits. The Company 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. The method and scheduling of the utilisation of the resources can be demonstrated;
- The development costs of the intangible asset can be reliably measured.

The useful life of these assets is assessed individually and amortized based on facts and circumstances. Amortization shall begin when the asset is available for use. The Company 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.

VII) Financial assets

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

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

- whether the asset is an equity investment or a debt instrument,
- if the financial asset is a debt instrument considerations are required to assess:
    - the business model for managing the financial asset,
    - contractual cash flow characteristics of the financial asset.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“hold & sell” business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C) Debt instruments measured at fair value through profit or loss
Under the new model, FVTPL is the residual category: a financial asset that is not measured at amortized cost or at fair value in other comprehensive income is measured at fair value through profit or loss.

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

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

F) Equity instruments measured at fair value through profit or loss
Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified to FVTPL.

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

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

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

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

VIII) Financial liabilities

Financial liabilities are classified as either ‘financial liabilities at FVTPL’ or ‘other financial liabilities’.
Financial liabilities are classified at FVTPL where the financial liability is either held for trading or it is designated at FVTPL or derivatives (except for a derivative that is a financial guarantee contract). Financial liabilities at FVTPL are stated at fair value, with any gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.
Financial liabilities constituting trade payables are described separately in XV) Trade payables.

IX) Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured at cost. The cost is the purchase price paid for the asset (in case of a foreign currency transaction, the value converted to the Company's functional currency (HUF) using the exchange rate applicable on the date of the transaction). At the acquisition, the Company considers any contingent purchase price as part of the consideration. For subsequent measurement of the obligation arising from the contingent purchase price, the Company applies the IFRS 3 analogy which requires that the change in the fair value of the liability should be recognized in the profit and loss account.

We distinguish three groups of shares:

- investments in subsidiaries,
- investments in joint ventures,
- investments in associates.

The above investments are shown on the balance sheet of the Company under "Investments in subsidiaries, associates and joint ventures".
With respect to "Investments in subsidiaries, associates and joint ventures", the Company reviews annually whether it has identified any impairment indicator and, if it is justified, recognizes impairment on the basis of IAS 36.
The Company considers an indicator when the carrying amount of the investment exceeds the proportionate share of the value of the equity of the investment.
Impairment shall be recognized when an individual rating of investments determines that the carrying amount exceeds the recoverable amount. During the individual rating, in terms of significant investments the cash-flows closely related to the investments were also taken into consideration.
In subsequent years, if the reasons for impairment previously recognized are no longer or are only partially in place, the impairment should be reversed to the recoverable amount, reversal of an impairment loss shall not exceed the carrying amount that would have been determined if no impairment loss been recognised for the asset in prior years.
The impairment and the reversal of impairment are recognized as Net financial income/(loss) in the Income statement.
The accounting policy for accounting for dividend income from subsidiaries, associates and joint ventures is included in Note 2./ II.

X) Contingent-deferred purchase price

The contingent-deferred purchase price obligation of the Company 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 Income Statement accordingly. The effect of the foreign exchange difference and the unwinding of interest is recognized in Financial expense (or Financial Income), while the change in the probability and the change in the estimated cash-flow to be paid is recognized as Other income and other expenses (net).

XI) Non-current financial assets carried at fair value

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

XII) Loans receivables

Within the loans receivables, it is necessary to distinguish between loans to employees of the Company, loans to related companies and loans to other companies.
Loans are initially recognized at fair value, and subsequently generally measured at amortized cost using the effective interest method.
If the loan is off-market conditions (for example: interest free loan to employees, interest free capital contribution, supplementary payment), then the difference between the fair value and the transaction value should be recognized in profit or loss or as a capital increase in the investment depending on the economic substance of the transaction.

In case of capital contribution or supplementary payments, the Company should consider whether the transaction give rise to a debt or an equity instrument.

When the transaction is a debt instruments, the difference between the fair value and the value of the transaction at initial recognition should be accounted for based on the substance of the arrangement, and if it qualifies as a capital increase, it should adjust the cost of the investment. According to IFRS 9 these instruments are measured at amortised cost.

XIII) Trade receivables

Receivables are measured at cost, less impairment and adjusted by reversal of the previously recognized impairment as described in accounting policy section VII) above.
Realized exchange gains or losses arising on the settlement of foreign currency receivables shall be recognized directly in the net financial income/(loss) using the exchange rate applicable on the date of the financial settlement. At the end of the period, outstanding amounts of receivables must be revalued at the MNB's foreign exchange rate, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is transaction value according to the related invoice less the value of the expected discounts and adjusted by discounting in the case of outstanding long-term receivables. Receivables adjusted with estimated discounts should be classified in accordance with its substance, so in case of credit balance is presented as liability in the Balance Sheet.

XIV) Contract assets

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

XV) Trade payables

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

XVI) Contract liability

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

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 the end of each reporting period to their fair value. The resulting gain or loss is immediately recognized in the Income Statement , because hedge accounting is not applied in current year. Derivative financial instruments are classified under "Non-current assets" and "Non-current liabilities", depending on whether the instruments have a positive or negative year-end fair value, if the instrument has a residual maturity of more than 12 months and is not expected to be realized within 12 months. Other derivative contracts are presented under "Other current assets" and "Other payables and accruals".

XVIII) Cash and cash equivalents

In the Consolidated Cash Flow Statement Cash and cash equivalents consist of cash, bank deposits and cash equivalents: in practice, they are securities that are used to settle short-term financial liabilities, and are not held for investment or other purposes, typically have an expiration date of up to 3 months from the date of purchase (e.g. debt securities). In the Balance Sheet the overdrafts are presented in line “Borrowings”, within current liabilities.

XIX) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized 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 or net realisable value. The balance sheet value is the cost less the recognized impairment and the received and estimated discounts, increasing the value of the reversed impairment.

The cost of purchased inventories includes all costs incurred and directly attributable to inventory until purchase. At the end of the year, its valuation will take place at a weighted purchase price taking into account the amount of closing stock, less the amount of impairment and increasing the value of the reversed impairment.

The cost of self-manufactured inventories is the calculated actual production cost. 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. Net realizable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and the estimated cost of disposal.

XXI) Provisions

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

The Company measures the provisions at discounted value of the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the interest arising from the passage of time is accounted as interest expense.

Provisions should be made for:
- sanctions and remediation costs related to environmental damage, which will lead to outflow of resources representing economic benefits regardless of the Company's future actions
- the expected liabilities in respect of non-closed litigation cases, if it is probable that the Company will have a payment obligation as a result of the decision
- as a guarantee and guarantee commitment if the amount of the expected payment can be estimated from previous practice
- long-term defined (retirement) benefit plans
- reorganization costs if the general conditions for provisioning are met.

If it is no longer probable that economic resources will be required to fulfil the obligation, the provision should be reversed. The provision may be used only for the input for which it was originally recognized.
The Company maintains a long-term defined retirement plan, which is presented in XXVI) Retirement Benefits.

XXII) Income taxes

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.

The Company considers the following taxes to qualify to be income tax under IAS 12:
- Corporate Income Tax,
- Local Business Tax,
- Innovational Contribution.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

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. 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 tax 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 Company is eligible for investment tax credit, the initial recognition exception is applied therefore no deferred tax is recognised in connection with this investment (see Note 8).

XXIII) Segment information

According to IFRS 8, the Company is obliged to present segment information since it’s shares are traded on the stock exchange.
The operating segment is a business unit that carries out business activity and for which separate financial information is available, and whose operating results are regularly reviewed by the entity's chief operating decision maker in order to make decisions about the resources to be allocated to the segment and to evaluate its performance (Note 4.).
We disclose segment information in the financial reports of the Company, as reviewed by the members of the Board of Directors as Chief Operating Decision Makers of Richter as a Parent Company. The Board of Directors is responsible for allocating resources between operating segments and for assessing these performances. As the Board of Directors focuses primarily on Group-level data, therefore Group Level Segment Information is presented in the financial statements.

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) Leases

The Company has applied IFRS 16 using the modified retrospective approach.

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

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

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

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

To determine the incremental borrowing rate, the Company:
The Company applies comperative pricing method for calculating interest rate. The reference interest rate is determined based on public data related to the specific market taking into consideration the amount, currency, maturity date of the transaction, the borrower's business sector and the purpose of the financing.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

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

Where the Company acts as a lessor, the lease is classified to be either finance lease (where substantially all of the risks and rewards incidental to ownership are transferred to the lessee) or operating lease. Currently the Company does not act as finance lessor.

For operating lease, the Company continues to recognize the underlying asset and do not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement. The underlying asset continues to be accounted for in accordance with applicable accounting standards (e.g., IAS 16). Lessors subsequently recognize lease payments over the lease term on either a straight-line basis or another systematic and rational basis if that basis better represents the pattern in which benefit is expected to be derived from the use of the underlying asset.

XXVI) Pension program and other long-term employee benefits

The Company pays benefit to retiring employees according to the Collective Agreement as defined-benefit.
As an additional benefit, the Company financially rewards those employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end pf the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

<u>Defined benefit pension plan</u>
The Company operates a post-employment defined benefit program, which is presented as Provision in the Balance Sheet. In line with IAS 19 for post-employment retirement benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method) and valued at present value by using actuarial discount rate. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged in the Retained Earnings (presented in other comprehensive income as item that is not reclassified later in profit and loss).

Defined contribution plans
For defined contribution plans the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company 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 Company 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 are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of 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 Company'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.

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 Company 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 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

It contains the face value of the issued shares at the time of foundation and capital increase. Ordinary shares are classified as equity.

When new ordinary shares are issued, the directly attributable incremental costs are presented as a share capital decreasing item on the line of share premium in the balance sheet. The repurchased shares within the share capital are presented separately on the line of treasury shares.

XXX) Earnings per share

In accordance with IAS 33 standard the Company determines the earnings per share by using two methods:

- Basic EPS: 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 EPS: 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.

In accordance with IAS 33 standard the Company presents the same EPS in its separate financial statement that was determined in the consolidated financial statement.

XXXI) Dividend distribution

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

3. Key sources of estimation uncertainty and critical accounting judgements

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

The estimates and 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 Financial Statements are the following:

3.1 Key sources of estimation uncertainty

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

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

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

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

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

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

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

The Company prepared its financial statements for 2019, considering the negative effects of European Commission's decision on ESMYA®, the PRAC recommendation issued in 2020 and the withdrawn application by FDA. Based on that, Management has reduced its long-term sale forecasts for ESMYA® in markets in EU and North-America. In addition to the revised forecasts, the Company has accounted HUF 29,368 million for impairment on investment in PregLem and HUF 6,918 million on North-America and other related intangible assets.

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

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

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

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

Exposure factors	**31 December 2020** HUFm	**31 December 2019** HUFm
Shareholding in the subsidiary of PregLem S.A.	0	0
Esmya North-America intangible assets	0	911
Esmya other intangible assets	0	0
All exposures	**0**	**911**

Taken into account the EC's resolution issued in 2021, the Company discloses the ESMYA® related inventory on 31 December 2020 as a further exposure:

ESMYA® related inventory	**31 December 2020** HUFm	**31 December 2019** HUFm
EU countries	109	97
Non- EU countries	51	252
All exposures	**160**	**349**

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

Depreciation and amortization
Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortized on a straight-line basis over their estimated useful lives. The estimation of the useful lives of assets is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use.
However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical, market and legal conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. 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.

Estimated useful lives are reviewed annually. If the estimated useful life was lower by 10%, depreciation for 2020 would be higher by HUF 3,089 million compared to what is currently recorded in the Financial Statement. This change would have been HUF 2,868 million in 2019.

The Company recognised depreciation and amortisation cost of HUF 26,967 million in 2020, and HUF 25,808 million in 2019. This amount does not contain the depreciation calculated for right-of-use assets.

Unlike property, plant and equipment and intangible assets, there is another type of decision uncertainty when reviewing the depreciation of the right-of-use assets, whereas the estimated useful lives of these assets are essentially determined by the duration of the lease and not by the useful life of the asset. The depreciation of the right-of-use assets during the current year was not significant (HUF 833 million) comparing to the depreciation of the fixed assets (HUF 26,967 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use assets is not quantified.

3.2 Critical judgements in applying entities accounting policies

Deferred tax
The Company has significant deductible temporary differences, part of which is related to the tax loss carried forward. Deferred tax asset should be recognized for accrued unused negative tax bases to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised.
Despite of the profitable operation of the Company, the tax base is expected to be negative in the next 5 years, considering the tax base adjusting items, there for the realization of a significant part is not probable.
The Company's calculated deferred tax asset is HUF 6,595 million (in 2019 HUF 6,681 million), which is not recognized in the balance sheet because no taxable profit is expected when the related temporary differences reverse. Contrary to management's previous expectations, sales of Vraylar® in the US region generated outstanding revenue in 2020. Accordingly, the Company had a positive tax base in 2020. Nevertheless, there is no change in the management's estimate of the return of deferred tax asset compared to 2019. There is no change in Management’s assessment of recovery compared to 2019. The deferred tax expense is presented in Note 17.

4. Segment Information

4.1 The Richter Group segment information

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

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

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

I) Business segments

	Pharmaceuticals HUFm		Wholesale and retail HUFm		Other HUFm		Eliminations HUFm		Total HUFm	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
3rd party revenues	446,066	397,712	119,775	109,244	935	838	-	-	566,776	507,794
Inter segment revenues	11,198	9,630	4	2	5,984	5,804	(17,186)	(15,436)	-	-
Revenues	**457,264**	**407,342**	**119,779**	**109,246**	**6,919**	**6,642**	**(17,186)**	**(15,436)**	**566,776**	**507,794**
Profit from operations	114,482	38,835	975	734	238	340	(606)	(13)	115,089	39,896
Total assets	1,021,643	927,894	66,657	63,279	3,893	4,027	(143,604)	(136,549)	948,589	858,651
Current contract asset	3,080	3,466	-	-	-	-	-	-	3,080	3,466
Total liabilities	97,292	102,468	55,641	51,794	978	979	(19,261)	(21,463)	134,650	133,778
Contract liabilities	772	745	-	-	-	-	-	-	772	745
Capital expenditure**	65,733	57,350	693	537	214	198	(2)	-	66,638	58,085
Depreciation and amortization*	38,307	37,801	1,344	1,237	195	217	-	65	39,846	39,320
from this: IFRS16 related	3,457	3,145	731	547	-	-	-	-	4,188	3,692
Share of profit of associates and joint ventures	(719)	(388)	1,398	1,230	22	43	199	(227)	900	658
Investments in associates and joint ventures	2.314	6,957	8,747	8,112	1,312	1,289	(104)	(166)	12,269	16,192

The data presented in the segment information significantly differs from the data that is presented in the primary statements, because the former contains consolidated, while the latter contains stand-alone financial information of the Company. Therefore, Management has concluded that a reconciliation between the two would not provide relevant and useful information to the users of the financial statements.

II) Entity wide disclosures

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

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

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

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

The data presented in the segment information significantly differs from the data that is presented in the primary statements, because the former is the consolidated, while the latter contains the data of the Company only. Therefore, Management has concluded that a reconciliation between the two would not provide relevant and useful information to the users of the financial statement.

4.2 The revenue information of Company

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

Analyses of revenue by category	**2020**	**2019**
	HUFm	HUFm
Sales of goods	322,622	310,323
Revenue from services	774	506
Royalty income	89,578	55,695
Total revenues	**412,974**	**366,524**

Revenues of approximately HUF 86,895 million (2019: HUF 54,637 million) derived from one single external customer (Allergan), that almost exceeded 21% of total revenues. The revenue is royalty and milestone payments, related to Vraylar® and are attributable to the Pharmaceuticals segment and located in the USA region. There was no other customer exceeding 10% of revenues in 2020 and 2019.

5. Profit from operations – expenses by nature

	2020 HUFm	2019 HUFm
Revenues	412,974	366,524
From this: royalty and other similar income	*89,578*	*55,695*
Changes in inventories of finished goods and work in progress	7,804	2,045
Cost of goods sold	(21,434)	(18,344)
Material type expenses	(184,564)	(183,356)
Personnel expenses	(71,518)	(68,926)
Depreciation and amortisation	(27,800)	(26,570)
from this: IFRS16 related (Note 13.1.2)	*(833)*	*(762)*
Compensation of expenses*	702	*1,655*
Net impairment losses on financial and contract assets	(1,774)	(446)
Other income and other expenses (net)	(14,183)	(12,627)
from this: IFRS16 related (Note 13.1.2)	*91*	-
Profit from operations	**100,207**	**59,955**

* Compensation of R&D expenses and cost of services presented as other income and other expenses

The fee for the statutory audit amounted to HUF 27 million in 2020.

Net impairment losses on financial and contract assets

The net impairment losses on financial and contract assets amounted to HUF 1,774 million in 2020 and HUF 446 million losses in 2019. The net impairment losses in 2020 comprised of the reversal of impairment recognised on trade receivables and the impairment recognised on loans and capital contributions.

Other income and other expenses (net)

The other income and expense (net) increased from HUF 12,627 million (expense) in the base period to HUF 14,183 million (expense) in 2020.

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

In 2020 the balance of Other income and expenses was negatively affected by the impairment reported on Intangibles (HUF 4,477 million) including HUF 1,561 million related to Evestra developments, HUF 1,339 million to Bemfola's American license, HUF 685 million to the Canadian license rights of Esmya, and HUF 812 million to the product Balanca® related to Germany.

The impairment tests of Esmya for the 2019 financial statements had to be conducted in consideration of decisions by the regulatory authorities and market effects. As a result, the Company reported net impairment of HUF 6,918 million on impairment on the Esmya intangible asset. Executive Board decided to discontinue the trastuzumab development project resulting in HUF 2,096 million in impairment.

In 2019, HUF 3,589 million in impairment and scrapping of inventories was recorded mainly on Esmya® and Bemfola®. Impairment and scrapping of inventories in current year missed the amount reported in the reference year by HUF 923 million.

Claw-back in 2020 comprised payments related to the Hungarian, Romanian, German, French, Spanish, Portuguese, Belgian, Italian, Bulgarian, Austrian, Polish, Latvian, Lithuanian, Croatian, Slovenian, Greek, Irish and UK markets totalling HUF 5,357 million. (HUF 3,418 million in 2019)

In 2020, the Company presented other non-income taxes of HUF 983 million in Other income and other expenses (net). (HUF 1,114 million in 2019)

Depreciation charge of right-of-use assets:

	2020 HUFm	2019 HUFm
Buildings	(679)	(611)
Machinery	(63)	(63)
Vehicles	(91)	(88)
Total	**(833)**	**(762)**

The separate income statement includes HUF 86 million expenses from short-term, low-value and variable lease payments.

6. Employee information

	2020	2019
Average number of people employed during the year	6,481	6,364

7. Net financial result

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

	2020 HUFm	2019 HUFm
Unrealised financial items	**(11,901)**	**(25,511)**
Exchange (loss)/gain on foreign currency on trade receivables and trade payables	(400)	522
(Loss)/gain on foreign currency loans receivable	(1,540)	3,881
Exchange gain/(loss) on other currency related items	1,738	(1,471)
Impairment loss on investments (Note 14)	(10,553)	(29,330)
Unwinding of interest on interest-free loans	(984)	1,135
Interest expenses related to IFRS 16 standard	(189)	(183)
Exchange difference related to IFRS 16 standard	27	(65)
Realised financial items	**10,417**	**22,581**
Exchange (loss)/gain realised on trade receivables and trade payables	(55)	8,947
Foreign exchange difference on conversion of cash	1,294	1,420
Dividend income	6,566	8,964
Interest income	2,589	3,376
Interest expense	(30)	(24)
Other financial items	53	(102)
Total	**(1,484)**	**(2,930)**

The net finance loss was HUF 1,484 million and HUF 2,930 million in 2020 and 2019, respectively.

HUF 1,738 million exchange loss/(gain) on other currency related items includes HUF 43 million loss on derivatives.

In 2020, an impairment of HUF 4,800 million was recognised on the investment in GR Mexico SAPI. In respect of GR Columbia S.A.S additional impairment was recognised in amount of HUF 906 million. Furthermore HUF 4,836 million was recognised on the investment in Evestra Inc in 2020.

The 2020 unrealized financial items were largely affected by the 3.96 RUB/HUF exchange rate and 365.13 EUR/HUF related translation on 31 December 2020 (31 December 2019 RUB/HUF 4.74 and EUR/HUF 330.52). The cumulative effect of translation was a HUF 205 million slip in the 2019 net financial loss as opposed to HUF 2,932 million increase in 2019, a total of HUF 2,727 million from one year to the next. See the results of the foreign sensitivity tests in Note 10.

The Company does not apply hedge accounting under IFRS 9.

Realized foreign exchange gain from trade receivables, payables and other items were HUF 8,947 million as opposed to HUF 55 million loss in the preceding year. The aggregate loss contributed HUF 8,892 million to a year-on-year increase in earnings.

Dividend income contributed HUF 6,566 million to the 2020 financial income, HUF 2,398 million lower than HUF 8,964 million realized in 2019.

8. Income tax expense

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

	2020	**2019**
	HUFm	HUFm
Corporate income tax	(974)	(90)
Local business tax	(3,938)	(3,998)
Innovation contribution	(594)	(603)
Current tax	**(5,506)**	**(4,691)**
Deferred tax (Note 17)	-	(1,934)
Income tax*	**(5,506)**	**(6,625)**

*The tax rate reconciliation includes the effect of both self-revision and tax paid abroad.

In 2020, the average effective tax rate calculated on the basis of the current tax is 5.6% and also 5.6 % taking into account the effect of deferred tax as well (In 2019: 8.2% and 11.6%). The corporate income tax rate effective in 2020 and in 2019 is 9%.

The Municipality of Budapest as tax authority performed local business tax audit in 2020 covering the financial periods of 2015-2016. The conclusion was received on 29 January 2021, which did not contain any findings.
The tax authorities may at any time inspect the books and records within 6 years 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.

Tax rate reconciliation

	2020 HUFm	2019 HUFm
Profit before income tax	**98,723**	**57,025**
Tax calculated based on statutory corporate income tax rate*	8,885	5,132
Tax effects of:		
In previous years unused, in current year used tax loss	(441)	-
Dividend income not subject to taxation	(591)	(807)
Royalty tax incentive	(3,986)	(2,262)
R&D tax incentives**	(3,233)	(3,097)
Expense not deductible for tax purposes	160	93
Local business tax and innovational contribution	4,124	4,188
Other income taxes	899	-
Deferred tax asset that is not expected to be realised	76	3,253
Reversal of temporary differences that are subject to exception from deferred tax	2	197
Other, individually insignificant items	(23)	(72)
Investment tax credit	(366)	-
Tax charge	**5,506**	**6,625**

* In 2019 the tax rate applied is 9%.
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).

Investment tax credit

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

The project was finished in 2011 and all the equipment that formed part of the project was commissioned. The Company took advantage of the investment tax benefit for the first time in financial year 2012, proceeding and calculating it in accordance with the applicable laws and regulations. The amount of investment tax credit used as advantage in 2020 is HUF 353 million.
The remaining tax relief in connection with the Debrecen project is available for subsequent year’s with an amount of HUF 1.731 million at current value. Therefore, Richter is able to take advantage of the tax relief up to 2021, at the latest.

Accounting treatment of the tax credit

The Company assessed this tax credit to be an investment tax credit and applied the initial recognition exception stated in IAS 12.24 and did not recognise any deferred tax in connection with tax credit.

9. Consolidated earnings per share

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

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

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

10. Financial instruments

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

	Notes	Carrying value 31 December 2019 HUFm	Fair value 31 December 2019 HUFm
Financial assets[1]			
Financial assets measured at amortised cost			
Loans receivable	22	10,146	10,146
Trade receivables	21	138,082	138,082
Other current receivable	22	7,609	7,609
Cash and cash equivalents	24	102,842	102,842
Financial assets measured at fair value through profit or loss			
Government securities, corporate bonds	23	-	-
Other securities[2]	23	1,545	1,545
Current		**260,224**	**260,224**
Financial assets measured at amortised cost			
Loans receivable	18	45,403	45,403
Financial assets measured at fair value through OCI			
Investments	16	13,760	13,760
Financial assets measured at fair value through profit or loss			
Government securities, corporate bonds	16	-	-
Other financial instruments (Mycovia)	16	5,427	5,427
Non-current		**64,590**	**64,590**
Financial liabilities			
Liabilities carried at amortised cost			
Borrowings	30	(1,517)	(1,517)
Trade payables	27	(45,495)	(45,495)
Other payables and accrual	28	(18,275)	(18,275)
from this: Lease liabilities		*(746)*	*(746)*
Current		**(65,287)**	**(65,287)**
Liabilities carried at amortised cost			
Other non-current liabilities	31	(4,645)	(4,645)
from this: Lease liabilities		*(3,663)*	*(3,663)*
Non-current		**(4,645)**	**(4,645)**

[1] All financial assets are free from liens and charges.
[2] Under „Other securities" a convertible promissory note to associates is shown.

	Notes	Carrying value 31 December 2020 HUFm	Fair value 31 December 2020 HUFm
Financial assets[1]			
Financial assets measured at amortised cost			
Loans receivable	22	6,543	6,543
Trade receivables	21	138,961	138,961
Other current receivable	22	7,593	7,593
Cash and cash equivalents	24	116,393	116,393
Financial assets measured at fair value through OCI			
Goverment securities[3]	23	5,478	5,478
Financial assets measured at fair value through profit or loss			
Other securities[2]	23	1,664	1,664
Current		**276,632**	**276,632**
Financial assets measured at amortised cost			
Loans receivable	18	34,915	34,915
Financial assets measured at fair value through OCI			
Goverment securities[3]	16	36,612	36,612
Investments	16	1,365	1,365
Financial assets measured at fair value through profit or loss			
Corporate bonds[3]	16	4,479	4,479
Other financial instruments (Mycovia)	16	6,318	6,318
Non-current		**83,689**	**83,689**
Financial liabilities			
Liabilities carried at amortised cost			
Borrowings		(4,961)	(4,961)
Trade payables	27	(36,717)	(36,717)
Other payables and accrual	28	(14,627)	(14,627)
from this: Lease liabilities		(513)	(513)
Current		**(56,305)**	**(56,305)**
Liabilities carried at amortised cost			
Other non-current liabilities	31	(2,720)	(2,720)
from this: Lease liabilities		(985)	(985)
Non-current		**(2,720)**	**(2,720)**

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

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

Financial risk management

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

Interest rate risk
As stated in Note 30, the amount of total borrowings of the Company is not significant, therefore the interest rate risk is negligible.

Security price risk
The Company holds a foreign denominated convertible promissory note to associate, corporate bonds and corporate bonds among investments and securities. The fair value of these instruments is exposed to foreign currency risk. In 2019, the investment in Protek Group and the investment in Themis Medicare Ltd were material. In 2020, the investment in Protek Group was sold.

I) Capital management

The capital structure of the Company consists of net debt (borrowings as detailed in Notes 30 offset by cash and bank balances in Note 24) and equity of the Company (comprising share capital, retained earnings, and other reserves).

The Company's objectives when managing capital are to safeguard the Company'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 Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash flow and the financing needs of the ongoing acquisition projects.
The amount of 2020 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

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

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Borrowings (Note 29) *	4,961	1,517
Less: cash and cash equivalents (Note 23)	(116,393)	(102,842)
Net debt	**(111,432)**	**(101,325)**
Total equity	793,390	717,059
Total capital	**681,958**	**615,734**
EBITDA	133,740	94,727
Net debt to EBITDA ratio	**(0.83)**	**(1.07)**
Net debt to equity ratio	**(0.14)**	**(0.14)**

* Without leases

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

	2020 HUFm	2019 HUFm
Profit from operations	100,207	59,955
Depreciation (except for right of use asset)	26,967	25,808
Dividend income	6,566	8,964
EBITDA	**133,740**	**94,727**

Equity correlation table

According to Note 114/B of Act C of 2000 on Accounting, the annual financial reporting entity according to IFRS compiles an equity correlation table for the reporting date, which is presented as part of the notes.

Our Company fulfils this obligation of presentation below:

	31 December 2020 HUFm	31 December 2019 HUFm
Equity under IFRS	793,390	717,059
Supplementary payment	(377)	(377)
Adjusted equity	**793,013**	**716,682**
Subscribed capital	18,638	18,638
Capital reserve	17,738	14,814
Revaluation reserve	665	9,507
Retained earnings	652,755	623,323
Statutory reserve	10,000	-
Post-tax profit or loss	93,217	50,400
Total equity	**793,013**	**716,682**
Thereof:		
Registered capital	**18,638**	**18,638**
Retained earnings reserve available for dividend payment per local regulation	**745,972**	**673,723**

II) Foreign currency risk

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

Foreign exchange sensitivity of profit

The Company does business in a number of regions and countries with different currencies. The most typical foreign currencies are EUR, USD, from 2011 PLN, RON, RUB, CHF, from 2015 KZT, from 2017 the CNY. The calculation of exposure to foreign currencies is based on these eight currencies.

The foreign currency risk management calculation is based on those balances which are exposed to exchanges of foreign currencies. Management assumes changes in exchange rates and analysis the risk of these changes on the profit.

Recently, Management has experienced higher sensitivity in case of certain currencies (rubels, Swiss francs, Kazakh tenges, US dollars), therefore these currencies have been diverted more when determining the exchange rate combinations.

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:

2020				**Exchange rates**						**Effect on operating profit**	**Effect on profit before income tax for the year**	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
105.00	**368.53**											
		322.62	**1.14**	**83.12**	**76.23**	**4.68**	**344.56**	**0.83**	**47.03**	**13,168**	**12,598**	**largest growth**
		307.26	1.20	79.16	72.60	4.25	328.15	0.75	44.79	813	1,383	
		291.90	1.26	75.20	68.97	3.83	311.74	0.68	42.55	(11,542)	(9,833)	
100.00	350.98											
		322.62	1.09	83.12	76.23	4.68	344.56	0.83	47.03	12,355	11,215	
		307.26	1.14	79.16	72.60	4.25	328.15	0.75	44.79	0	0	
		291.90	1.20	75.20	68.97	3.83	311.74	0.68	42.55	(12,355)	(11,215)	
95.00	**333.43**											
		322.62	1.03	83.12	76.23	4.68	344.56	0.83	47.03	11,542	9,833	
		307.26	1.09	79.16	72.60	4.25	328.15	0.75	44.79	(813)	(1,383)	
		291.90	**1.14**	**75.20**	68.97	3.83	311.74	0.68	42.55	**(13,168)**	**(12,598)**	**greatest decrease**

* Change of EUR/HUF average exchange rates (%).

2019				**Exchange rates**						**Effect on operating profit**	**Effect on profit before income tax for the year**	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
103.07	**335.36**											
		305.15	**1.10**	**77.95**	**70.84**	**4.94**	**305.96**	**0.84**	**43.36**	**10,407**	**10,711**	**largest growth**
		290.62	1.15	75.63	68.73	4.49	291.39	0.76	42.07	606	763	
		276.09	1.21	73.31	66.62	4.04	276.82	0.68	40.78	(9,196)	(9,185)	
100.00	325.36											
		305.15	1.07	77.95	70.84	4.94	305.96	0.84	43.36	9,801	9,948	
		290.62	1.12	75.63	68.73	4.49	291.39	0.76	42.07	0	0	
		276.09	1.18	73.31	66.62	4.04	276.82	0.68	40.78	(9,801)	(9,948)	
96.93	**315.36**											
		305.15	1.03	77.95	70.84	4.94	305.96	0.84	43.36	9,196	9,185	
		290.62	1.09	75.63	68.73	4.49	291.39	0.76	42.07	(606)	(763)	
		276.09	**1.14**	**73.31**	**66.62**	**4.04**	**276.82**	**0.68**	**40.78**	**(10,407)**	**(10,711)**	**greatest decrease**

* Change of EUR/HUF average exchange rates (%).

Based on the annual average currency rate sensitivity analysis of 2020, the combination of weak Hungarian Forint – (368.5 EUR/HUF, 322.6 USD/HUF, 83.1 PLN/HUF, 76.2 RON/HUF, 4.7 RUB/HUF, 344.6 CHF/HUF, 0.8 KZT/HUF and 47.0 CNY/HUF) against other currencies - would have caused the largest growth in the amount of HUF 13,168 million on the Company's operating profit and HUF 12,598 million on the Company's profit before income tax for the year.

The greatest decrease of HUF 13,168 million on operating and HUF 12,598 million on profit before income tax for the year was caused by the combination of exchange rates of 333.4 EUR/HUF, 291.9 USD/HUF, 75.2 PLN/HUF, 68.9 RON/HUF, 3.8 RUB/HUF, 311.7 CHF/HUF, 0.7 KZT/HUF and 42.6 CNY/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, lease liabilities and deferred purchase price liabilities. The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates similarly to the currency sensitivity of actual cost. Recently, Management has experienced higher sensitivity in case of certain currencies, therefore these currencies have been diverted more when determining the exchange rate combinations (RUB, KZT +/- 10%)

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

2020				**Exchange rates**						**Effect on net financial position**	
*	EUR/HUF	USD/HUF	EUR/USD	CHF/HUF	RUB/HUF	RON/HUF	PLN/HUF	KZT/HUF	CNY/HUF	HUFm	
105.00%	**383.39**										
		312.23	**1.23**	**354.28**	**4.36**	**78.74**	**83.25**	**0.78**	**47.72**	**14,718**	**best case scenario**
		297.36	1.29	337.41	3.96	74.99	79.29	0.71	45.45	3,240	
		282.49	1.36	320.54	3.56	71.24	75.33	0.64	43.18	(8,200)	
100.00%	365.13										
		312.23	1.17	354.28	4.36	78.74	83.25	0.78	47.42	11,479	
		297.36	1.23	337.41	3.96	74.99	79.29	0.71	45.45	0	
		282.49	1.29	320.54	3.56	71.24	75.33	0.64	43.18	(11,440)	
95.00%	**346.87**										
		312.23	1.11	354.28	4.36	78.74	83.25	0.78	47.42	8,239	
		297.36	1.17	337.41	3.96	74.99	79.29	0.71	45.45	(3,240)	
		282.49	**1.23**	**320.54**	**3.56**	**71.24**	**75.33**	**0.64**	**43.18**	**(14,679)**	**worst case scenario**

* Change of EUR/HUF average exchange rates (%).

2019				**Exchange rates**						**Effect on net financial position**	
*	EUR/HUF	USD/HUF	EUR/USD	CHF/HUF	RUB/HUF	RON/HUF	PLN/HUF	KZT/HUF	CNY/HUF	HUFm	
103.07%	**340.67**										
		309.48	**1.10**	**319.61**	**5.21**	**71.20**	**79.97**	**0.85**	**46.57**	**11,384**	**best case scenario**
		294.74	1.16	304.39	4.74	69.08	77.59	0.77	42.34	1,264	
		280.00	1.22	289.17	4.27	66.96	75.21	0.70	38.11	(8,839)	
100.00%	330.52										
		309.48	1.07	319.61	5.21	71.20	79.97	0.85	46.57	10,120	
		294.74	1.12	304.39	4.74	69.08	77.59	0.77	42.34	0	
		280.00	1.18	289.17	4.27	66.96	75.21	0.70	38.11	(10,103)	
96.93%	**320.37**										
		309.48	1.04	319.61	5.21	71.20	79.97	0.85	46.57	8,855	
		294.74	1.09	304.39	4.74	69.08	77.59	0.77	42.34	(1,264)	
		280.00	**1.14**	**289.17**	**4.27**	**66.96**	**75.21**	**0.70**	**38.11**	**(11,368)**	**worst case scenario**

* Change of EUR/HUF average exchange rates (%).

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY weaken against HUF. In this case the financial result would decrease by HUF 14,679 million.
The best case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY would strengthen against HUF. In this case the financial result would increase by HUF 14,718 million.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in million foreign currency units, were as follows:

2020	Currencies (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Trade receivables	97.7	135.3	0.8	8,893.6	41.7	54.9	6,046.1	102.9
Trade payables	(41.0)	(5.7)	(1.6)	(402.9)	(3.0)	(28.1)	(231.2)	(35.7)
Loans receivable	28.1	19.4	10.5	4,049.7	-	5.0	-	-
Investments in securities	31.1	30.2	-	-	-	-	-	-
Bank deposits	68.7	187.7	0.3	0.3	0.1	13.7	306.8	25.7
Other liabilities	(7.2)	(4.8)	-	(107.4)	(7.9)	(0.2)	(25.6)	-
Total	**177.4**	**362.1**	**10.0**	**12,433.3**	**30.9**	**45.3**	**6,096.1**	**92.9**

2019	Currencies (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Trade receivables	106.5	109.5	0.9	9,330.8	45.1	54.7	4,262.5	144.0
Trade payables	(63.3)	(6.1)	(1.7)	(404.4)	(3.1)	(31.2)	(220.1)	(40.9)
Loans receivable	30.8	32.3	9.2	4,440.3	-	15.0	-	-
Securities	-	26.3	-	-	-	-	-	-
Bank deposits	52.0	34.0	0.8	27.2	0.2	3.6	519.5	47.1
Other liabilities	(1.5)	(17.4)	-	(257.9)	-	-	-	-
Total	**124.5**	**178.6**	**9.2**	**13,136.0**	**42.2**	**42.1**	**4,561.9**	**150.2**

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 Company regularly assesses its customers and establishes payment terms and credit limits associated to them. Richter also reviews the payment of the receivables on a regular basis and monitors the overdue balances. The Company had not recognised any incurred loss derived from overdue receivables in 2020. The Company had one single customer where the annual turnover exceeded 10%. This turnover is mainly the royalty and milestone payments related to Vraylar.

The following securities are applied to minimize the credit risk.

Regions	Trade receivables secured as at 31 December 2020 HUFm	Type of security: Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	18,396	18,396		
EU	463		463	
USA	-			
China	-			
Latin America	-			
Other	1,635	1,497		138
Total	**20,494**	**19,893**	**463**	**138**

Regions	Trade receivables secured as at 31 December 2019 HUFm	Type of security: Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	13,873	13,433	440	-
EU	420	-	420	-
USA	-	-	-	-
China	-	-	-	-
Latin America	171	171	-	-
Other	698	351	149	198
Total	**15,162**	**13,955**	**1,009**	**198**

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

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit ratings assigned by international rating agencies presented below.
The credit rating of the most significant banks as of 31 December 2020 based on Standard and Poor's international credit rating institute are the followings (if such credit rating is not available, we present the rating of its "ultimate parent"):

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

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

The Company holds more than 97% of its cash and cash equivalents as of 31 December 2020 in the financial institutions presented above. As of 31 December 2019 the Company holds more than 99% of its cash and cash equivalents at these financial institutions. In 2020 the Company invested into government and corporate bonds in the amount of HUF 46 billion that is presented as non-current assets in the Balance Sheet. These financial assets are hold at above listed high quality financial institutions. The other bank relations of the Company are widely dispersed, therefore the credit exposure with one financial institution is limited.
The Company has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.

IV) Liquidity risk

Cash flow forecasting is performed and updated on a monthly basis based on actual data. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing plans and covenant compliance. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities.
The liquidity risk of the Company was limited in 2020, since the Cash and cash equivalents presented in the balance sheet exceeds the Current liabilities and the balance of the Current assets is higher than the total liabilities.

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	194	196
Other, individually not significant bank guarantees	76	69

11. Fair Value of Financial Instruments

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

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

Management applies the fair value hierarchy to categorize financial instruments. If a fair value measurement uses unobservable inputs that require significant judgement, than 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 Balance Sheet at the end of each reporting period.
The levels in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

HUFm	Notes	31 December 2020				31 December 2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Other financial assets	16	1,365	-	6,318	**7,683**	13,760	-	5,427	**19,187**
Securities measured at fair value through OCI (short term)	23	-	-	1,664	**1,664**	-	-	1,545	**1,545**
Securities measured at fair value through profit and loss (short term)	23	-	5,478	-	**5,478**	-	-	-	**-**
Securities measured at fair value through OCI (long term)	16	-	36,612	-	**36,612**	-	-	-	**-**
Securities measured at fair value through profit and loss (long term)	16	-	4,479	-	**4,479**	-	-	-	**-**
Total assets recurring fair value measurements		**1,365**	**46,569**	**7,982**	**55,916**	**13,760**	**-**	**6,972**	**20,732**

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

Please see the details of the Other investments' fair value (presented in other financial assets) in Note 16. The fair value of these instruments is determined using the interest rates and currency rates effective as of the balance sheet date.

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

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

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

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

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

The above table shows the sensitivity analysis of the inputs used to determine the fair value of financial assets and liabilities. By changing one or more unobservable inputs, we analyse at the direction and degree of change in the fair value. In doing so, we judge the significance of the result for the year and the total value of assets and liabilities, or of the items that change the comprehensive income for equity.

(b) Non-recurring fair value measurements

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

(c) Valuation processes for recurring and non-recurring Level 3 fair value measurements

Level 3 valuations are reviewed annually by the Company'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. Financial derivative instruments

Government bonds and corporate bonds purchased by the Company are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Company has entered into interest rate swaps in the case of corporate bonds, during which it exchanges fixed interest rates for variables. The maturity and currency data of these transactions are summarized in the table below.

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	3,000,000,000	2029	(41)
Interest rate swap (EUR)	5,000,000	2027	(2)
Total			**(43)**

The Company's derivative instruments are interest rate swaps. The Company does not apply the hedge accounting.

	31 December 2020 HUFm	**31 December 2019** HUFm
Liabilities		
Long term financial derivative instruments		
Interest rate swaps	(27)	-
Short term financial derivative instruments		
Interest rate swaps	(16)	-
Total financial derivative liabilities	**(43)**	**-**

The Company recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option based on IFRS 9. The relevant part of the accounting policy can be found in Note 2, paragraph VII/D.

13. Property, plant and equipment and Intangible assets

13.1 Property, plant and equipment

	31 December 2020 HUFm	31 December 2019 HUFm
Property, plant and equipment without right of use assets	195,050	181,482
Right-of-use assets	1,447	4,304
Total	**196,497**	**185,786**

13.1.1 Property, plant and equipment without right-of-use assets

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2018	**137,330**	**244,506**	**20,141**	**401,977**
Capitalization	8,817	19,640	(28,457)	**-**
Transfers and capital expenditure	-	-	31,530	**31,530**
Other Increase/(Disposals)	(435)	(5,833)	(440)	**(6,708)**
at 31 December 2019	**145,712**	**258,313**	**22,774**	**426,799**
Accumulated depreciation				
at 31 December 2018	**(41,955)**	**(190,569)**	**-**	**(232,524)**
Current year depreciation	(4,179)	(13,714)	-	**(17,893)**
Other (Increase)/Disposals	147	4,953	-	**5,100**
at 31 December 2019	**(45,987)**	**(199,330)**	**-**	**(245,317)**
Net book value				
at 31 December 2018	**95,375**	**53,937**	**20,141**	**169,453**
at 31 December 2019	**99,725**	**58,983**	**22,774**	**181,482**

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2019	**145,712**	**258,313**	**22,774**	**426,799**
Capitalization	9,092	19,414	(28,506)	**-**
Transfers and capital expenditure	-	-	32,893	**32,893**
Other Increase/(Disposals)	(644)	(4,453)	(203)	**(5,300)**
at 31 December 2020	**154,160**	**273,274**	**26,958**	**454,392**
Accumulated depreciation				
at 31 December 2019	**(45,987)**	**(199,330)**	**-**	**(245,317)**
Current year depreciation	(4,370)	(14,254)	-	**(18,624)**
Other Increase/(Disposals)	262	4,337	-	**4,599**
at 31 December 2020	**(50,095)**	**(209,247)**	**-**	**(259,342)**
Net book value				
at 31 December 2019	**99,725**	**58,983**	**22,774**	**181,482**
at 31 December 2020	**104,065**	**64,027**	**26,958**	**195,050**

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.

13.1.2 Right-of-use assets

The balance sheet shows the following amounts relating to leases:

	31 December 2020 HUFm	31 December 2019 HUFm
Building	1,297	3,571
Machinery	-	569
Vehicles	150	164
Total	**1,447**	**4,304**

The gross value of the right-of-use-assets increased by HUF 2,968 million. The depreciation is HUF 832 million in the current year (HUF 762 million in 2019, see Note 5), but new transactions, revaluations and modifications and the retirements are increase the profit and loss by HUF 943 million. It generated a net decrease of HUF 2,857 million in the value of right-of-use-assets in 2020.

13.2 Intangible assets

	Rights HUFm	Intellectual property HUFm	Research and development HUFm	Total HUFm
Gross value				
at 31 December 2018	**164,733**	**2,916**	**804**	**168,453**
Capitalization	18,507	-	-	**18,507**
Scrapping	(730)	-	-	**(730)**
Other (Increase)/Disposals	(510)	-	-	**(510)**
at 31 December 2019	**182,000**	**2,916**	**804**	**185,720**
Accumulated depreciation				
at 31 December 2018	**(85,131)**	**(1,547)**	**(804)**	**(87,482)**
Current year depreciation	(7,791)	(124)	-	**(7,915)**
Impairment and reversal of impairment	(9,014)	-	-	**(9,014)**
Scrapping	24	-	-	**24**
Other (Increase)/Disposals	158	-	-	**158**
at 31 December 2019	**(101,754)**	**(1,671)**	**(804)**	**(104,229)**
Net book value				
at 31 December 2018	**79,602**	**1,369**	**-**	**80,971**
at 31 December 2019	**80,246**	**1,245**	**-**	**81,491**

	Rights HUFm	Intellectual property HUFm	Research and development HUFm	Total HUFm
Gross value				
at 31 December 2019	**182,000**	**2,916**	**804**	**185,720**
Acquisition	29,538	-	-	**29,538**
Scrapping	(2,682)	-	-	**(2,682)**
Other Increase/(Disposals)	(641)	-	-	**(641)**
at 31 December 2020	**208,215**	**2,916**	**804**	**211,935**
Accumulated depreciation				
at 31 December 2019	**(101,754)**	**(1,671)**	**(804)**	**(104,229)**
Current year amortization	(8,225)	(118)	-	**(8,343)**
Impairment and reversal of impairment (net)	(1,831)	-	-	**(1,831)**
Scrapping	36	-	-	**36**
Other (Increase)/Disposals	(1)	-	-	**(1)**
at 31 December 2020	**(111,775)**	**(1,789)**	**(804)**	**(114,368)**
Net book value				
at 31 December 2019	**80,246**	**1,245**	**-**	**81,491**
at 31 December 2020	**96,440**	**1,127**	**-**	**97,567**

All intangible assets are free from liens and charges. The intangible assets of the Company, except for R&D, are not internally generated.

The most significant Rights are described below, with related impairment test where applicable:

Net book value	31 December 2020 HUFm	31 December 2019 HUFm
Grünenthal	20,865	25,989
Bemfola/Afolia	4,649	6,242
Mithra/Estelle	14,138	11,365
Mifepristone	4,218	3,502
Relugolix	16,442	-
Mycovia	6,178	6,025
Other, individually not significant rights	31,077	28,368
Total	**97,567**	**81,491**

The following details the intangible assets considered to be most significant by Management.

Rights – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorization (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. net book value of the rights in relation to Grünenthal is HUF 20,865 million as of 31 December 2020 and HUF 25,989 million as of 31 December 2019.

Rights – Relugolix
On 31 March 2020, the Company announced that it had entered into an exclusive agreement with Myovant Sciences GmbH to market the combination tablet of relugolix (containing 40 mg relugolix, 1.0 mg estradiol and 0.5 mg norethindrone acetate) in the indications for uterine fibroids and endometriosis. The geographic scope of the agreement covers Europe, CIS countries including Russia, Latin America, Australia and New Zealand. Myovant is a healthcare company developing innovative products in the field of gynecology and prostate cancer. Under the agreement, Myovant will receive 40 MUSD milestone revenue at the time of the contract and will be entitled to additional milestone revenue of up to 40 MUSD tied to the achievement of each milestone of regulatory approvals. The milestone revenues tied to post-authorization sales levels could amount to 107.5 MUSD and the parties will also tie the amount of royalty to be paid in band to the level of sales. Myovant reserves all rights in the United States with respect to relugolix combination tablets, as well as its rights to non-gynecological indications for relugolix. Net book value of the rights is HUF 16,442 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mithra/Estelle
As part of Richter's Specialty Pharma strategy on 2 September 2018, Richter announced that it entered into an exclusive license and supply agreement with Mithra Pharmaceuticals to commercialize Estelle®, a combined oral contraceptive, containing esterol and drospirenone. Richter is going to commercialize the product under a different brand name. The geographic scope of the agreement covers Europe and Russia. Under the terms of the agreement Richter made upon signature of the contract an upfront payment totalling EUR 35 million. Mithra is entitled to receive additional milestone payments amounting to EUR 20 million depending on the progress of development and regulatory process of the product. Further sales related royalties will become payable to Mithra subsequent to the launch of the product and Mithra will receive guaranteed annual recurring revenues based on minimum annual quantities (MAQ), in addition to tiered royalties on net sales. As of 31 December 2020 the value of right is 14,138 HUF million. We performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mycovia
On 16 October 2019 Richter and Mycovia Pharmaceuticals, Inc. announced that they have entered into an exclusive license and development and technology transfer agreement to commercialize and manufacture VT-1161, currently in Phase III clinical trials for the treatment of Recurrent Vulvovaginal Candidiasis.
The geographic scope of the license agreement covers Europe, Russia, the other CIS countries, Latin America and Australia. Under the terms of the agreement Richter shall make milestone payments related to the clinical development process. These payments shall extend over the next two years and will total USD 20 million. Additional development and sales milestone payments shall be due depending on the progress of the regulatory process and commercial success of the product. The value of Mycovia intangible asset is HUF 6,178 million as of 31 December 2020. As of 31 December

2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Bemfola/Afolia
On 30 June 2016 Richter acquired Finox Holding, a privately held Swiss biotech company focused on development and commercialisation of innovative and cost effective products addressing female fertility. Finox's product, BEMFOLA® is a recombinant-human Follicle Stimulating Hormone (r-hFSH) which was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for BEMFOLA® except for the US. As a result of the acquisition, Richter expanded its Women's Healthcare portfolio with the female fertility therapeutic area and was able to increase its biosimilar market potential. On 10 July 2018 Richter announced that it had established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, BEMFOLA®/AFOLIA, for the use in the United States. During 2020, the Company recognized 100% impairment loss of HUF 1,389 million on intellectual property rights in relation to the US territory. Richter does not intend to launch the product in the US as significant additional clinical development costs in accordance with FDA regulations would occur, which would significantly decrease the profitability of the product taken into account the potential market size and market share. As of 31 December 2020, we performed impairment test for the remaining intangible assets of HUF 4,649 million based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

The average remaining useful life of the intellectual properties in use does not exceed 10.7 years (11.6 years in 2019).

14. Subsidiaries

Details of the Company's direct and indirect subsidiaries are as follows:

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
1	AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing, Pharmaceutical wholesale
2	Gedeon Richter Romania S. A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical manufacturing
3	Gedeon Richter Polska Sp. z o.o.	Poland	99.84	99.84	99.84	99.84	Pharmaceutical manufacturing, Marketing services
4	Richter Themis Medicare (India) Pvt. Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
5	Gedeon Richter Pharma GmbH.	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
6	Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
7	RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
8	Gedeon Richter UA PAT	Ukraine	100.00	98.16	100.00	98.16	Pharmaceutical trading
9	Gedeon Richter UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
10	Gedeon Richter Iberica S.A.U	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
11	Nedermed B.V. (1)	The Netherlands	-	100.00	-	100.00	Pharmaceutical trading
12	Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
13	Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
14	Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
15	Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
16	Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
17	Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
18	Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
19	GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
20	Armedica Trading S.R.L.	Romania	99.92	99.92	99.92	99.92	Portfolio management
21	Gedeon Richter Farmacia S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical retail
22	Gedeon Richter France S.A.S.	France	100,00	100,00	100,00	100,00	Pharmaceutical trading, Marketing services
23	I.M. Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51,00	51,00	51,00	51,00	Pharmaceutical retail
24	Richter-Helm BioLogics GmbH & Co. KG.	Germany	70,00	70,00	70,00	70,00	Biotechnological manufacturing and research
25	Richter-Helm BioLogics Management GmbH	Germany	70,00	70,00	70,00	70,00	Asset management
26	Medimpex UK Ltd.	United Kingdom	100,00	100,00	100,00	100,00	Pharmaceutical trading
27	Farnham Laboratories Ltd. (2)	United Kingdom	100,00	100,00	100,00	100,00	Pharmaceutical trading
28	Gedeon Richter Aptyeka SP OOO	Armenia	51,00	51,00	51,00	51,00	Pharmaceutical retail
29	Pharmafarm S.A.	Romania	99,92	99,92	99,92	99,92	Pharmaceutical wholesale
30	Gedeon Richter Ukrfarm TOV	Ukraine	100,00	100,00	100,00	100,00	Pharmaceutical retail

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
31	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
32	PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Research and development, Marketing services
33	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
34	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
35	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
36	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
37	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
38	Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
39	I.M. Rihpangalpharma S.R.L.	Moldavia	65.00	65.00	65.00	65.00	Pharmaceutical wholesale
40	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
41	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
42	Gedeon Richter, trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
43	Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
44	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
45	Gedeon Richter KZ LLP	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
46	GRMed Company Ltd.	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
47	Gedeon Richter Pharmaceuticals (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
48	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
49	Gedeon Richter Croatia d.o.o.	Croatia	100,00	100,00	100,00	100,00	Marketing services
50	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100,00	100,00	100,00	100,00	Pharmaceutical trading, Marketing services
51	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100,00	100,00	100,00	100,00	Pharmaceutical trading, Marketing services
52	Gedeon Richter Chile SpA	Chile	100,00	100,00	100,00	100,00	Pharmaceutical trading
53	Mediplus (Economic Zone) N.V.	Curaḉao	100,00	100,00	100,00	100,00	Pharmaceutical trading, Marketing services
54	Gedeon Richter Peru S.A.C.	Peru	100,00	100,00	100,00	100,00	Pharmaceutical trading
55	GEDEONRICHTER Ecuador S.A.	Ecuador	100,00	100,00	100,00	100,00	Pharmaceutical trading
56	Gedeon Richter Bolivia SRL	Bolivia	100,00	100,00	100,00	100,00	Pharmaceutical trading
57	Gedeon Richter Australia PTY Ltd.	Australia	100,00	100,00	100,00	100,00	Trading of biotech products, Marketing services
58	Finox AG	Switzerland	100,00	100,00	100,00	100,00	Biotechnological services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
59	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
60	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
61	Finox Biotech UK and Ireland Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Marketing services
62	Gedeon Richter Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
63	Gedeon Richter Bulgaria Ltd.	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
64	Gedeon Richter Pharma O.O.O.	Russia	100.00	100.00	100.00	100.00	Marketing services
65	Pharmapolis Gyógyszeripari Tud. Park Kft.	Hungary	100.00	100.00	100.00	100.00	Building project management

(1) The company was liquidated in January 2020.
(2) The company's principal activity has been suspended.

	Name	Date of establishment / acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
68	Forhercare Kft.	03.2020	Hungary	100.00	-	100.00	-	Pharmaceutical retail

Change in the investment in subsidiaries are presented in details in the table below:

Name	31 Dec. 2020	Event for the change in 2020		1 Jan. 2020
	HUFm	HUFm	Reason	HUFm
AO Gedeon Richter - RUS	17,672			17,672
Gedeon Richter Pharma O.O.O	1,184			1,184
Gedeon Richter Romania S. A.	19,106			19,106
Gedeon Richter Polska Sp. z o.o.	10,217			10,217
Richter-Helm BioLogics GmbH & Co. KG	3,308			3,308
GRMed Company Ltd.	28,207			28,207
Gedeon Richter Mexico, S.A.P.I. de C.V	1,106	(594)	Increase in capital, impairment	1,700
Finox AG	28,014			28,014
Gedeon Richter Australia PTY Ltd.	4,840			4,840
Other subsidiaries	7,751	(180)	Impairment and other non significant changes	7,931
Total	**121,405**	**(774)**		**122,179**

Name	31 Dec. 2019 HUFm	Event for the change in 2019 HUFm	Reason	1 Jan. 2019 HUFm
AO Gedeon Richter – RUS	17,672	6,718	Increase in capital	10,954
Gedeon Richter Pharma O.O.O.	1,184			1,184
Gedeon Richter Romania S. A.	19,106			19,106
Gedeon Richter Polska Sp. z o.o.	10,217			10,217
Richter-Helm BioLogics GmbH & Co. KG	3,308			3,308
PregLem S.A.	-	(29,368)	Impairment	29,368
Grmed Company Ltd.	28,207			28,207
Gedeon Richter Mexico, S.A.P.I. de C.V	1,700	296	Reversal of impairment	1,404
Finox Holding AG	28,014			28,014
Gedeon Richter Australia PTY Ltd	4,840			4,840
Other subsidiaries	7,931	(184)	Impairment and other non significant changes	8,115
Total	**122,179**	**(22,538)**		**144,717**

At every year end, the Company assesses if there are any impairment indicators in place in relation to the investment in subsidiaries, joint ventures and associates, and whether impairment is required to be recognised in accordance with IAS 36. If the carrying value of an investment exceeds the proportionate value of the equity of the investment, the Company considers this as an impairment indicator. Impairment is recognised when the carrying value of the investment exceeds its recoverable amount. In subsequent years, if the reasons for impairment previously recognized are no longer or are only partially in place, the impairment should be reversed to the recoverable amount. The reversal of an impairment loss shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset in prior years.

The following details the investments considered to be most significant by management.

PregLem S.A.

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Company's presence in Western Europe.
At the date of the acquisition ESMYA®, a novel treatment for uterine fibroids, was close to the registration. In February 2012, the European Commission (EC) 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, the Company conducted an impairment test of its investment in PregLem S.A. as of the 2019 balance sheet date by taking into consideration the potential impact of EC's restrictive measures, PRAC's recommendations published in March, 2020 and the withdrawal of US drug application on Esmya® (see Note 3.1 Key sources of estimation uncertainty).
The events mentioned above significantly impaired the sales potentials of Esmya® in the European Union, in U.S. territory and, according to the Company's estimates, it reduces the potential market size. Therefore as of 31 December 2019 the Company determined that 100% impairment is need to be accounted for in relation with the Company's investment in PregLem S.A. The total impairment expense accounted is HUF 29,368 million and the carrying value of the PregLem S.A investment is HUF 0.
The business impact of the EC decision of 11 January 2021 (further details in Note 3.1 Key sources of estimation uncertainty) on future cash flow cannot be estimated. Accordingly, as of 31 December 2020, the Company did not recognize a reversal of a previously recognized impairment loss. The value of the Company's share in PregLem S.A. as of 31 December 2020 is HUF 0.

Finox Holding

The Company announced on 30 June 2016, that it acquired Finox Holding, a Swiss-based biotech company and its product, BEMFOLA®, which is a recombinant-human Follicle Stimulating Hormone (r-hFSH) developed as a biosimilar to GONAL-f®, an established reference product. BEMFOLA® was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for BEMFOLA®, excluding the sales and distribution rights in the USA. This was purchased in a later transaction as presented in Note 13.
The acquisition represented a unique opportunity for Richter to widen its core Women's Healthcare franchise and further emphasized its commitment to biosimilar business. Also, it allowed Richter to establish its presence in the female fertility therapeutic area – a significantly growing market. On 10 July 2018, Richter announced that it had established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights,

relevant studies, related data and documents of r-hFSH containing product, BEMFOLA®/AFOLIA, for the use in the United States.

Total consideration paid in cash contains the value of the ownership and a long-term loan given by previous owner. The book value of Richter's investment in Finox Holding considerably exceeds the equity of the subsidiary, therefore the Company examined the fair value less cost of disposal of intangible asset Finox Bemfola calculated by Multi-Period Excess Earnings Method. The Company adjusted the carrying value of the equity of Finox Holding with the fair value of Bemfola determined by using Multi-Period Excess Earnings Method based on fair value less cost of disposal, since this intangible has a significant value, but not recognized in the accounts of Finox Holding. The carrying value of the investment and the Bemfola related intangible assets were compared to the adjusted equity (representing the recoverable amount).

The calculations were based on long term projections (corresponding with useful life of these assets) adopted by Management. Key assumptions are:

Technology barriers in the r-hFSH market are strong, hence the Company does not expect significant generic competition. Any possible erosion is expected to be compensated by new launches (in connection with further geographical expansion), however the effects of new launches are not taken into account in the impairment model.

As a consequence, cash flows show upward trend from 2021 to 2024 in connection with the increase in sales (CAGR 8.2%) after this period the growth is expected to be slower (0.3% until 2030) and after the peak is achieved a slow downturn of sales are taken into account (CAGR: -2.0% until 2041).
The recoverable amount is significantly higher than the investment's book value.

The discount rate (post tax: 4.5%, 6.5% in 2019) applied reflects current market assessments of the time value of money and the risks specific to the asset 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.

GRMed Company Ltd.

GRMed Company Ltd. was acquired in 2013. The transaction supported the Company's stronger presence in China through acquiring an indirect holding in the Chinese trading company Rxmidas. The Company has restructured its operation in China and merged the activity of Gedeon Richter Rxmidas Joint Venture Co. Ltd. to GRMed Company Ltd. As a result of the reorganisation, the reporting structure has changed as well, therefore the recoverable amount of the two investments is assessed together.

The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2020 and 2019 and it was found that there is no need to account for impairment in 2020 like the previous years. Taking into consideration the reorganization of the business (in 2017) and the reporting structure, the book value of Richter's investment as of 31 December 2020 (after the prior merger) were tested for impairment, in one model on group of CGUs level by means of the income-based method with a fair value less cost of disposal approach. It was found that there was no need to account for impairment.
The calculations were based on the long-term turnover projection and cost plan approved by 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.

Between 2021 and 2030 a continuous increase in cash flows is expected mainly due to new product launches. The share of net sales in connection to these new products increase from 3% in 2022 to 45% in 2030. As for the whole forecasted period, the compound average growth rate of cash-flows is 34%.

In the impairment test, the net assets of the Chinese subsidiary were considered. (Consistently with the cash flow projections.) Since the recoverable amount determined based on the assumptions above also requires contribution of other assets (e.g. machineries) of the parent company, the carrying amount of these assets was also considered when the Company compared the value of the investment to the recoverable amount.

The sum of the present value of 2021-2030 cash flows (representing 24% of the total recoverable amount) and the conservatively estimated residual value (reckoning with 0% growth) is significantly (more than two times) higher than the tested amount.

The discount rate (post tax: 6.4% in 2020 and 12.2% in 2019) 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.

A rise in post-tax discount rate to 15.1% or 22.0% decrease in forecasted sales volumes would remove the remaining headroom.

Gedeon Richter Mexico, S.A.P.I. de C.V.

DNA Pharmaceuticals S.A. of Mexico was acquired in 2014. The investment value was tested by the Company for impairment as of 31 December 2020 similarly to prior years.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach. The calculations were based on the long-term turnover projection approved by Management (2021-2030), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash flows beyond this was determined by means of the terminal value formula.

In the impairment test, the current assets and all liabilities of the Mexican subsidiary were taken into account. (Consistently with the cash flow projections.)

Since the recoverable amount also requires contribution of other assets (e.g. machineries) of the parent company, the carrying amount of these assets was also considered when the Company compared the value of the investment to the recoverable amount.

In the past 2-2,5 years, the Company has implemented various measures to achieve greater efficiency, reduce and control operating costs in order to increase the long-term profitability of the Mexican business. The revised long term forecasts show no significant differences compared to previous year, however in 2020 the issued capital of Gedeon Richter Mexico was increased, which was taken into account as an increase in the investment's carrying amount. The recoverable amount based on current forecast do not cover the net book value of investment and other assets. Due to the listed factors, HUF 4,800 million impairment loss has recognized in 2020 resulted a net book value of HUF 1,063 million as at 31 December 2020.

The discount rate (post tax: 7.1% in 2020; 8.6% in 2019) applied reflects current market assessments of the time value of money and the risks specific to the assets for which future cash flow estimates have not been adjusted.

Gedeon Richter Australia Pty Ltd.

Gedeon Richter Australia Pty Ltd. was acquired in 2018 under a share purchase agreement concluded between the Company and Finox AG. The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2020 as well.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach. The calculations were based on the long-term turnover projection approved by Management (2021-2030), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash flows beyond this was determined by means of the terminal value formula.

Based on the forecasts, significant new products are expected to be launched from 2023 and 2024, which will be supported by a significant increase in the subsidiary's resources. As a result of the above mentioned tendency, negative cash flows will occur until 2024, and then in parallel with the introduction of new products the cash-generation of the subsidiary will continuously improve. The compound average growth rate (CAGR) of sales revenue is projected to be close to 13.5% over the period 2021-2030.

The sum of the present value of 2021-2030 cash flows represents 12% of the total recoverable amount. The residual value of cash-flows was estimated using a conservative approach (reckoning with 0% growth).

In the impairment test, the current assets and all liabilities of the Australian subsidiary were taken into account. (Consistently with the cash flow projections.) Since the recoverable amount also requires contribution of other assets (e.g. machineries) of the parent company, the carrying amount of these assets was also considered when the Company compared the value of the investment to the recoverable amount.

The recoverable amount determined based on the assumptions above exceeded the carrying value considerably. A rise in post-tax discount rate to 10.7% or 12.6% decrease in forecasted sales volumes would remove the remaining headroom.

The discount rate (post tax: 5.7%, 6.4% in 2019) 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.

Acquisition of subsidiaries in 2020

In March 2020, the Company founded Forhercare Ltd. as its subsidiary.

Acquisition of subsidiaries in 2019

The Company did not perform acquisitions in 2019.

15. Investments in associates and joint ventures

15.1 Investments in joint ventures

Details of the Company's direct and indirect joint ventures are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
Medimpex Irodaház Ingatlankezelő Kft.	Hungary	50.00	50.00	50.00	50.00	Renting real estate
Richter Helm BioTec Management GmbH	Germany	50.00	50.00	50.00	50.00	Asset management
Richter Helm BioTec GmbH & Co.KG.	Germany	50.00	50.00	50.00	50.00	Trading of biotech products, Marketing services

The book value of joint ventures was HUF 620 million at 31 December 2019 and it was not changed in 2020.

In the separate financial statement of the Company the investment in the joint venture **Richter Helm BioTec GmbH & Co.KG**. was analysed for impairment, since this company was loss making and had negative equity balance until 2020. The Company does not have third party transactions, its sole purpose is to coordinate and supervise the product development and sales activity performed by Richter Helm Biologics GmbH & Co.KG. based on the instruction of Richter and Helm AG. The first result of the development of biosimilar products was the launch of the teriparatide product in Europe in 2019. The launch in the further country is in progress. The company is expected to be profitable which provides profit for the losses accumulated in previous years. Recognition of impairment loss is not necessary (recognition of impairment loss is not necessary related to the capital contribution handled as loan either).

15.2 Investments in associates

Details of the Company's direct and indirect associates are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	
Hungaropharma Zrt.	Hungary	30.85	30.85	30.85	30.85	Pharmaceutical trading
Pharmatom Kft.	Hungary	24.00	24.00	24.00	24.00	Biotechnological manufacturing
Top Medicina Bt.	Hungary	20.00	20.00	20.00	20.00	Pharmaceutical retail
VITA - Richter SP O.O.O.	Azerbaijan	49.00	49.00	49.00	49.00	Pharmaceutical retail
Pesti Sas Patika Bt.	Hungary	49.00	49.00	49.00	49.00	Pharmaceutical retail
Szondi Patika Bt.	Hungary	33.00	33.00	33.00	33.00	Pharmaceutical retail
Salvia-Med Bt.	Hungary	32.80	32.80	32.80	32.80	Pharmaceutical retail
Evestra Inc.	USA	35.42	35.45	35.42	35.45	Biopharmaceutical research and development
Prima-Temp Inc.	USA	22.99	27.73	22.99	27.73	Pharmaceutical research and development

Name	31 Dec. 2020	Event for the change in 2020		1 Jan. 2020
	HUFm	HUFm	Reason	HUFm
Hungaropharma Zrt.	1,191	-		1,191
Evestra Inc.	1,624	(4,836)	Impairment	6,460
Prima-Temp Inc.	1,376	-		1,376
Other associates	1	-		1
Total	**4,192**	**(4,836)**		**9,028**

Name	31 Dec. 2019	Event for the change in 2019		1 Jan. 2019
	HUFm	HUFm	Reason	HUFm
Hungaropharma Zrt.	1,191	-		1,191
Evestra Inc.	6,460	4,840	Share purchase	1,620
Prima-Temp Inc.	1,376	-		1,376
Other associates	1	-		1
Total	**9,028**	**4,840**		**4,188**

In 2019 the Company increased its shares in its associate company, **Evestra Inc**. On the one hand a convertible loan was converted into shares and on the other hand the Company purchased further shares. In 2020, Richter has terminated its license agreements for two products under development with Evestra Inc. Due to unfavourable market conditions and license agreements terminated the expected future cash flows have significantly worsened. Based on the assumptions the recoverable amount of the investment is significantly lower than the book value therefore HUF 4,836 million impairment loss was recognized in 2020. The net book value of the investments in Evestra after the impairment loss is HUF 1,624 million as at 31 December 2020.

16. Non-current financial assets and Other long-term receivable

As at 31 December 2019 Non-current financial assets carried at fair value through OCI and Non-current financial assets carried at fair value through profit or loss were presented in a single line item (Other financial assets) in the Balance Sheet. In 2020, the Company acquired government securities and corporate bonds in a significant amount that are measured at fair value through OCI and profit or loss. Therefore, the Company decided to present financial assets measured on different basis on the face of the Balance Sheet separately.

16.1 Non-current financial assets carried at fair value through profit or loss

	31 December 2020 HUFm	**31 December 2019** HUFm
Corporate bonds	4,479	-
Other financial instruments (Mycovia)	6,318	5,427
Total	**10,797**	**5,427**

The Company initially recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option based on IFRS 9. The relevant part of the accounting policy can be found in Note 2, paragraph VII/D.

On 16 October 2019, Gedeon Richter Plc. and Mycovia Pharmaceuticals Inc. signed a royalty purchase agreement according to which Richter acquires a certain portion of the net turnover of US sales of the future product (for more details pls. see Note 13) for the purchase price of USD 25 million. The amount of purchased royalty right is presented as a financial asset and valued at fair value through profit or loss as of 31 December 2019. The fair value of Mycovia financial assets was HUF 6,318 million at 31 December 2020. (HUF 5,427 million in 31 December 2019.

16.2 Non-current financial assets carried at fair value through OCI

	31 December 2020	**31 December 2019**
Government securities	36,612	-
Investments	1,365	13,760
Total	**37,977**	**13,760**

The Company accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph VII/D.

In 2020, the Company sold its 5% interest, measured at fair value, in Protek Holding to its majority owner (ZAO Firma CV Protek). The Buyer proposed a 100 RUB/share price at the beginning of 2020 that was approved by the Bord of Directors of the Company.

The other available-for-sale investment is a 9.63% ownership in Themis Medicare Ltd. valued at fair value based on the closing stock exchange price. Since there was an increase in the share price a revaluation gain (HUF 136 million) was recorded against revaluation reserve for securities at FVOCI in 2020. A closing fair value is HUF 1,303 million.

16.3 Other long-term receivable

	31 December 2020 HUFm	31 December 2019 HUFm
Government grants	1,481	2,837
Other assets	-	-
Total	**1,481**	**2,837**

The Company was granted government grant relating to property, plant and equipment and research and development activities. As at the end of 2020 HUF 1,481 million was approved but not financially settled, due over one year as long term receivables. Current portion of related asset is disclosed in Note 22.1.

17. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2020 HUFm	31 December 2019 HUFm
Current tax assets	70	760
Current tax liabilities	590	8

Deferred tax is calculated by the balance sheet method based on the temporary differences. The Company does not recognise any deferred tax asset or liability in its Balance Sheet.
The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets / (liabilities)	**Investments** HUFm	**PPE and intangible assets** HUFm	**Provision** HUFm	**Impairment** HUFm	**Other temporary differences** HUFm	**Total** HUFm
1 January 2019	**(510)**	**1,715**	**219**	**-**	**-**	**1,424**
(Debited)/credited to the income statement	-	(1,715)	(219)	-	-	**(1,934)**
(Debited)/credited to other comprehensive income	510	-	-	-	-	**510**
31 December 2019	**-**	**-**	**-**	**-**	**-**	**-**
(Debited)/credited to the income statement	-	-	-	-	-	**-**
(Debited)/credited to other comprehensive income	-	-	-	-	-	**-**
31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**

The Company did not recognize deferred tax assets of HUF 6,595 million, as these are related to temporary differences that are expected to reverse because the Company is not expected to have sufficient taxable profit to recover them. The most significant item of these deductible temporary difference relates to the tax loss carried forward from 2017, 2018, 2019 (tax effect of HUF 4,184 million), from which HUF 3,445 million will be able to utilised within 3 years, HUF 739 million within 3-5 years.
Of the amount of deferred taxes presented above, deferred tax liability of HUF 1,202 million 31 December 2020 was offset against deferred tax assets according to IAS 12.

Temporary differences arising in connection with interest in subsidiaries, associates and joint ventures on which no deferred tax was provided for as a result of deferred tax exception in IAS 12 is not significant.

18. Loans receivable

The loans receivables are loans given to related parties, employees and other given loans. The relevant part of accounting policy can be found in Note 2, section XII.

	31 December 2020 HUFm	31 December 2019 HUFm
Loans given to related parties	34,289	44,621
Loans given to employees	571	609
Other loans given	55	173
Total	**34,915**	**45,403**

19. Goodwill

The Company does not have any Goodwill balance.

20. Inventories

	31 December 2020 HUFm	31 December 2019 HUFm
Raw materials, packaging and consumables	31,176	24,437
Production in progress	664	1,117
Semi-finished and finished goods	45,416	39,644
Total	**77,256**	**65,198**

The 2020-year end balance of inventory increased by 18.5% (HUF 12 billion) compared to the end of the comparative period.
The value of purchased stock increased by 27.6%, while the value of self-produced inventory increased by 14.6%. The value of self-production inventories at the year-end was 40.6% lower compared to the base period.

In terms of raw materials and commodities, the main driver of the growth was the increase in active ingredient inventories related to Teriparatide, which resulted from the establishment of safety inventory levels. An additional reason for change in inventories was the increase in imported active ingredients, excipients, purchased finished drugs and our own products as part of our risk reduction strategy in the event of a COVID outbreak.

In 2020, impairment and disposal of HUF 2,800 million was recorded and HUF 134 million was reversed, while HUF 5,533 million and HUF 75 million respectively in 2019. The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.

As of 31 December 2020 the total carrying amount of inventories that are valued at net realizable value amounts to HUF 78 million, as of 31 December 2019 it was HUF 245 million.

All items of Inventories are free from liens and charges.

21. Trade receivables

	31 December 2020 HUFm	31 December 2019 HUFm
Trade receivables (3rd parties)	73,981	62,923
Amounts due from related companies and other participations	64,980	75,159
Total	**138,961**	**138,082**

Movements on the Company provision for impairment of trade receivables are as follows:

	2020 HUFm	2019 HUFm
At 1 January	**3,144**	**3,504**
Allowances for receivables impairment	190	693
Reversal of impairment for trade receivables, withdrawal	(953)	(1,053)
At 31 December	**2,381**	**3,144**

Impairment of trade receivables (HUFm)

31 December 2020	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,01%	0,01%	0,05%	0,11%	0,46%	97,68%	**1,68%**
Gross carrying amount – trade receivables	124,180	8,737	4,198	949	861	2,417	**141,342**
Loss allowance	12	1	2	1	4	2,361	**2,381**

31 December 2019	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,40%	0,88%	1,46%	2,08%	13,27%	88,05%	**2,23%**
Gross carrying amount – trade receivables	116,163	12,697	7,263	1,684	784	2,635	**141,226**
Loss allowance	467	112	106	35	104	2,320	**3,144**

22. Other current assets

22.1 Other current assets

	31 December 2020 HUFm	31 December 2019 HUFm
Loans receivable	6,543	10,146
Other receivables	7,160	4,896
Prepayments	433	2,713
Subtotal of financial assets (Note 10)	**14,136**	**17,755**
Tax and duties recoverable	3,179	2,554
Advances	3,674	1,847
Prepayments	2,051	1,831
Total	**23,040**	**23,987**

The Company presents approved but not financially settled grants amount of HUF 3,915 million due within 1 year, relate to acquisition of property, plant and equipment and research and development activities.

22.2 Contract assets

The Company has recognised the following assets related to the contracts with customers based on IFRS 15**:**

	31 December 2020 HUFm	31 December 2019 HUFm
Current contract assets	1,405	2,074
Total contract assets	**1,405**	**2,074**

23. Current financial assets at fair value

	31 December 2020 HUFm	31 December 2019 HUFm
Government securities *	5,478	-
Other securities	1,664	1,545
Total (Note 10)	**7,142**	**1,545**

*Government securities are issued or granted by the Hungarian State.

The Company accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph VII/D.

Under Other securities a convertible promissory note to associates is shownthat is measured at FVTPL.

24. Cash and cash equivalents

24.1 Cash and cash equivalents

	31 December 2020 HUFm	31 December 2019 HUFm
Bank deposits	116,380	102,813
Cash on hand	13	29
Total (Note 10)	**116,393**	**102,842**

The total amount of Cash and cash equivalents as at 31 December 2020 and 2019 was short term demand deposit and bank deposit. It is denominated in EUR, USD, HUF and other currencies which is presented in more details in Note 10.

24.2. Reconciliation to cash flow statement

	31 December 2020 HUFm	31 December 2019 HUFm
Cash and cash equivalents	116,393	102,842
Cash-pool overdraft	(4,961)	(1,517)
Total	**111,432**	**101,325**

The Company recognises the assets according to the IFRS of daily liquidity management as a part of the cash and cash equivalents. The value of the discount treasury bill (HUF 5,999 million) with a duration of less than 3 months is recognised as the Cash and cash equivalents in 2019, but no such item occurred in 2020. The Cash-pool liability includes the liabilities exposure with the Hungarian subsidiaries.

25. Share capital and reserves

Share capital	31 December 2020 Number	31 December 2020 HUFm	31 December 2019 Number	31 December 2019 HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Company on 31 December 2020:

Ordinary shares	Ownership number 31 December 2020	Voting rights* % 31 December 2020	Share capital % 31 December 2020
Domestic ownership	**62,398,808**	**33.51**	**33.49**
State ownership total	9,777,784	5.25	5.25
out of which MNV Zrt.	9,777,658	5.25	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	46,324,479	24.88	24.86
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.01	10.00
out of which Mathias Corvinus Collegium Foundation	18,637,486	10.01	10.00
Retail investors	6,296,545	3.38	3.38
International ownership	**123,776,762**	**66.46**	**66.41**
Retail investors	222,018	0.12	0.12
Institutional investors	123,554,744	66.34	66.29
Undisclosed ownership	**63,535**	**0.03**	**0.03**
Treasury shares**	**135,755**	**-**	**0.07**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares have no voting rights.

Detailed ownership structure of the Company on 31 December 2019:

Detailed ownership structure of the Parent 31 December 2019

Ordinary shares	Ownership number 31 December 2019	Voting rights* % 31 December 2019	Share capital % 31 December 2019
Domestic ownership	**64,012,307**	**34.47**	**34.34**
State ownership total	47,052,641	25.34	25.24
out of which MNV Zrt.	28,415,029	15.30	15.24
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.04	10.00
out of which Municipality	126	0.00	0.00
Institutional investors	8,413,513	4.53	4.51
Retail investors	8,546,153	4.60	4.59
International ownership	**121,677,349**	**65.52**	**65.29**
Retail investors	295,361	0.16	0.16
Institutional investors	121,381,988	65.36	65.13
Undisclosed ownership	**12,999**	**0.01**	**0.01**
Treasury shares**	**672,205**	**-**	**0.36**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares 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 Company has neither direct Parent nor Ultimate Controlling Party. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

Share premium

It contains the difference between the face value and the issuing value.

Capital Reserves

Those capital contributions can be found here, that are not part of the face value of the share or the share premium.

Revaluation reserve for securities at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 16, 23), the difference shall be recognized as Revaluation reserve for securities at FVOCI.

	Revaluation reserve for securities at FVOCI HUFm
At 1 January 2019	**4,810**
Revaluation of investments	4,187
Deferred tax effect	510
At 31 December 2019	**9,507**
Change in the fair value of equity instrument retained	136
Current year change in the fair value of derecognised equity instrument	(1,724)
Reserve of derecognised equity instrument	(7,254)
Deferred tax effect	-
At 31 December 2020	**665**

During the previous years, deferred tax was accounted for, relating to the taxable temporary difference of the investments carried at FVOCI. As the Company cannot demonstrate the recoverability of its net deferred tax asset position, the deferred tax asset position was derecognised. (See details Note 17.)

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 Statement of Changes in Equity.
The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Please see more details in Note 26 Treasury shares.

	2020 HUFm	**2019** HUFm
Expense recognized in current year	3,447	2,657
Treasury share given (Note 25)	(4,574)	(1,868)
Repurchase obligation from ESOP	(3,514)	1,841
Total changes in reserve presented in the Statement of Changes in Equity	**(4,641)**	**2,630**

26. Treasury shares

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating four share-based payment programs, described below in more details. 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. In 2019 and 2020, the Company launched the Employee's Share-Ownership Programme, according to which a worker receives a benefit after the conditions specified in the program have been met.

Bonus program
Richter operates a bonus share program since 1996 to further incentivise managers and key employees of the Company. In 2017, the program was redesigned: the bonus for managers was paid in cash. As a result in 2020, 9,715 shares were granted to 238 key employees of the Company, while in 2019, 281 employees were granted. The total number of shares distributed were 15,327.

Individual bonuses
In 2019 and 2020 no treasury shares were granted as bonuses. The reason of this was the introduction of the Employee's Share-Ownership Programme.

Employee's Share- Ownership Programme (ESOP)
In order to strengthen the performance and loyalty of senior executives and senior employees, the Company started Employee's Share- Ownership Programme (ESOP) in 2018.
The Company established the ESOP Organization and approved the ESOP Organization's Remuneration Policy for two years in 2019 and in 2020 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2020, and HUF 1.5 billion in 2019.
Regarding each participant, the Company transferred a certain number of shares to the ESOP Organization, determined by the market value of the transferred shares and the determined amount of the remuneration. The shares can not be disposed until the end of the evaluation period.
The benefit is only vested if the remuneration condition is met. Remuneration condition: the level of the unweighted average consolidated revenues realized in the measurement period shall exceed the consolidated revenues of the comparative period.

Staff Stock Bonus Plan
Pursuant to a program related to employee share bonuses (Staff Stock Bonus Plan 2020), the Company granted 277,947 treasury shares to 4,783 employees in 2020. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2023. In 2019, 320,534 treasury shares were granted to 4,484 employees which will be deposited on the employees' security accounts until 2 January 2022.

The AGM held on 28 April 2020 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 230,073 treasury shares during the year.

Treasury shares	**2020** Numbers	**2019** Numbers
at 1 January	**666,705**	**49,830**
Share purchase	230,073	607,752
Transferred as part of bonus program	(9,715)	(15,327)
Individual bonuses	-	-
Transferred to ESOT	(493,103)	331,438
Granted pursuant to employee share bonuses	(277,947)	(320,534)
Granted repurchased pursuant to employee share bonuses	14,242	13,546
at 31 December	**130,255**	**666,705**

Book value	2020 HUFm	2019 HUFm
at 1 January	**3,875**	**283**
Share purchase	1,650	3,539
Transferred as part of bonus program	(58)	(88)
Individual bonuses	-	-
Transferred to ESOT	(2,845)	1,908
Granted pursuant to employee share bonuses	(1,766)	(1,839)
Granted repurchased pursuant to employee share bonuses	95	72
at 31 December	**951**	**3,875**

27. Trade payables

	31 December 2020 HUFm	31 December 2019 HUFm
Trade payables (3rd parties)	22,050	23,545
Amount due to related companies and other participations (Note 37)	14,667	21,950
Total (Note 10)	**36,717**	**45,495**

28. Other payables and accruals

28.1 Other payables and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Short term accruals	8,551	9,628
Other liabilities	5,410	7,749
Lease liabilities	513	746
Dividend payable	153	152
Subtotal of financial liabilities (Note 10)	**14,627**	**18,275**
Wages and payroll taxes payable	3,372	3,024
Other taxes	174	151
Deposits from customers	178	69
Total	**18,351**	**21,519**

28.2 Contract liabilities

The Company in the separate IFRS Financial Statement does not have any contract liabilities balance.

29. Provisions

	31 December 2020 HUFm	31 December 2019 HUFm
Other short-term provisions	1,236	1,211
Long term provisions – for jubilee programs	1,022	609
Long term provisions – for retirement benefits	4,350	2,466
Total	**6,608**	**4,286**

The provision of the Company at a given period of time:

	31 December 2020 HUFm	Reversal HUFm	Provision HUFm	31 December 2019 HUFm
Compensation	1,236	-	25	1,211
Long term provisions – to defined benefit liabilities (according to actuarial valuations)	5,372	(266)	2,563	3,075
Other	-	-	-	-
Total	**6,608**	**(266)**	**2,588**	**4,286**

	31 December 2019 HUFm	Reversal HUFm	Provision HUFm	31 December 2018 HUFm
Compensation	1,211	(103)	548	766
Long term provisions – to defined benefit liabilities (according to actuarial valuations)	3,075	(331)	978	2,428
Other	-	(86)	-	86
Total	**4,286**	**(520)**	**1,526**	**3,280**

Defined retirement benefit plans at the Company

Actuarial valuation related to retirement benefit plans

According to the Collective Agreement of Gedeon Richter Plc., if the Employee is eligible for an old-age pension or disability care and his/her employment is being terminated for that reason by either parties unilaterally or by mutual consent, or the Employee retire in the end of a fix-term employment contract, the Employer may provide

a) 1 month’s absentee pay after an uninterrupted employment relationship of at least 15 years at the Employer
b) 2 months’ absentee pay after an uninterrupted employment relationship of at least 30 years at the Employer
c) 3 months’ absentee pay after an uninterrupted employment relationship of at least 35 years at the Employer
d) 4 months’ absentee pay after an uninterrupted employment relationship of at least 40 years at the Employer

in addition to his/her other emoluments, if the following exclusion does not arise.

As a prior obligatory condition of payment, the Employee shall not engage in any misconduct which may lead to the immediate termination of his/her employment, until the closing of the employment.

For renumerations defined in subsections b)-d) above, the Employee is entitled to an additional absentee pay equal to 45 calendar days, except if the Employee is exempted from work for a longer period.

Provided that the exemption period is longer than 45 days, the entitlement period for the absentee pay (for the “uninterrupted employment relationship at the Employer”) determined at subpoints a)-d) shall be reduced by the amount exceeding the 45 days of the exemption period.

The valuation method

In line with IAS 19, defined benefit obligation was calculated by using Projected Unit Credit Method. The estimated amount of the benefit shall be accounted in equal amounts for each period until the maturity date (straight line method) and valued at present value by using actuarial discount rate.

Any reasonable change in the key assumptions are not expected to result in a significant change in the value of provision therefore a detailed sensitivity analysis is not required for the variables of the valuation model.

The calculation is applied for all employees employed at the balance sheet date.

	2020 HUFm	2019 HUFm
Opening value of retirement benefit	2,466	1,857
Interest costs (charged to the P&L)	-	3
Service costs (charged to the P&L)	202	122
Settlement	(158)	(224)
Actuarial loss/(gain) (charged to the OCI)	1,840	708
Retirement benefit liability	**4,350**	**2,466**

The principal actuarial assumptions were as follows:

The increase in the amount of the underlying benefit reflected long-term risk-free rates.

Discount rate

The discount calculation is made on “the basis of available high-quality corporate bonds or, in the absence thereof, of government securities in the given market."

The applied discount curve was determined on the basis of the reference yields of Hungarian government securities (available on following website www.akk.hu) , using a Nelson-Siegel curve fitting, based on the market yields at the end of 2020.
For the purpose of determining the value of the liabilities, in 2019 upon maturity an interest rate of 0-2% is used in the first 10 years, 2-3% between years 10-20, 3% over 20 years.

Distribution of probability of resigning in terms of the age of employees and the duration of their employment

Relying on factual data the probability of resigning was estimated on the basis of annual average probability of resigning in groups set up by duration of employment in 2019. In 2020, this method was changed and we used the actual fluctuation rate as per each age-group of employees. The reason for this change was that we experienced stronger correlation between these set of information. Our assumptions are disclosed in the tables below.

Annual average rate of fluctuation used in the calculation for 2020:

Age	**Annual average rate of fluctuation**
0-25	8.3%
26-30	8.2%
31-35	6.8%
36-40	5.5%
41-45	4.1%
46-50	2.8%
51-55	2.3%
56-60	2.1%
61-	1.9%

Annual average rate of fluctuation used in the calculation for 2019:

Term of employment at Richter	**Annual average probability of resigning**
Relevant data applied during the actuarial calculation:	
up to 3 years	20.0%
between 3-6 years	10.0%
between 6-10 years	8.0%
between 10-15 years	7.0%
between 16-25 years	5.0%
between 26-35 years	3.0%
over 35 years	2.0%

30. Borrowings, net debt reconciliation

The credits are not secured by registered mortgages on real estates and inventories.

	31 December 2020 HUFm	31 December 2019 HUFm
Borrowings non-current	-	-
Borrowings current	4,961	1,517
Total	**4,961**	**1,517**

The Company does not have any non-current borrowings.
Current borrowings consist of loans taken cash pool liabilities on 31 December 2020.

Net debt reconciliation:

Net debt	31 December 2020 HUFm	31 December 2019 HUFm
Cash and cash equivalents	116,393	102,842
Cash-pool	(4,961)	(1,517)
Borrowings - within one year (excluding cash-pool)	-	-
Borrowings - after one year	-	-
Total	**111,432**	**101,325**

	Other assets	**Liabilities from financing activities**		
	Cash and cash-pool overdraft HUFm	**Borrowings due within one year** HUFm	**Borrowing due after one year** HUFm	**Total** **HUFm**
Net debt as at 1 January 2019	**79,719**	**(20,812)**	**-**	**58,907**
Cash flows	21,414	-	-	**21,414**
Effect of foreign exchange of borrowings	-	-	-	**-**
Other non-cash movements	192	20,812	-	**21,004**
Reclassification from long-term to short-term	-	-	-	**-**
Net debt as at 31 December 2019	**101,325**	**-**	**-**	**101,325**
Cash flows	9,393	-	-	**9,393**
Effect of foreign exchange of borrowings	-	-	-	**-**
Other non-cash movements	714	-	-	**714**
Reclassification	-	-	-	**-**
Net debt as at 31 December 2020	**111,432**	**-**	**-**	**111,432**

31. Other non-current liabilities and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Government grant - deferred income	6,551	5,605
Government grant - prepayments received	-	886
Other non-current liabilities	1,757	982
Lease liabilities	985	3,663
Total	**9,293**	**11,136**

Government grants relate to acquisition of property, plant and equipment and research and development activities.

32. Dividend on ordinary shares

	2020 HUFm	2019 HUFm
Dividend on ordinary shares	11,741	18,637

A dividend of HUF 63 per share (HUF 11,741 million) was declared in respect of the 2019 results, approved at the Company's Annual General Meeting on 28 April 2020 and paid during the year.

33. Agreed capital commitments and expenses related to investments

	31 December 2020 HUFm	31 December 2019 HUFm
Contractual capital commitments of the Company	7,312	6,914

The Company’s capital expenditure program for 2020 approved by the Board of Directors is HUF 41,762 million, from which the contractual capital commitments comprises amounts to HUF 7,312 million which is not shown in the Company’s financial statements.
The above commitments were not recorded neither in the Income Statement, or in the Balance Sheet.

34. Lease – Company as lessee

In 2019 and 2020, the Company leases various buildings, machineries and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years, but may have extension options as described below.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

35. Guarantees provided by the Company

The Company has not provided directly any guarantees to third parties. Guarantees provided by banks on behalf of the Company are presented in Note 10 and Note 37.

36. Social security and pension schemes

The Company has provided in relation to the employees in Hungary social contribution tax amounting to 17.5% till 30 June 2020, 15.5 % from 1 July 2020 and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2020 to the National Tax and Customs Administration by the Company. The Company has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of each country.

The 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 Company was HUF 1,823 million in 2020 (HUF 1,705 million in 2019).

The pension contribution paid by the Company and described above are Defined Contribution Plan.

37. Contingent liabilities

Bank guarantee

The bank guarantee provided by UniCredit Bank secures a bank guarantee facility of RON 72 million for our Romanian subsidiaries, under which agreement bank guarantees are allowed to be issued for the business partners of subsidiaries up to the amount of the facility.

38. Related party transactions

The transactions among the Company and its subsidiaries and related parties are below.

Untill 2019 the State Holding Company (MNV Zrt.), as a business organization was having a significant interest over Richter nevertheless the Company had no other transactions with the State Holding Company, than the regular dividend payments. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

	2020 HUFm	**2019** HUFm
Dividend paid to MNV Zrt.	1,792	2,847

The Company 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 Significant information of Related parties

The Company has not provided any long or short-term loans to its key management personnel. Loans given to subsidiaries, associates and joint-ventures are both long- and short-term loans.

	31 December 2020 HUFm	**31 December 2019** HUFm
Loans provided to subsidiaries	35,471	45,744
Loans to joint ventures	4,841	5,287
Loans to associated companies	158	158
Impairment on loans provided to subsidiaries	(5,550)	(2,275)
Impairment on loans provided to associates	-	-
Convertible promissory note to associates	1,664	1,545
Accounts receivables from subsidiaries	60,409	68,844
Accounts receivables from joint ventures	-	195
Accounts receivables from associates	4,713	2,548
Impairment on accounts receivables from subsidiaries	(140)	(861)
Accounts payables from subsidiaries	14,658	21,728
Accounts payables from joint ventures	-	-
Accounts payables from associates	9	222
Revenue from subsidiaries	125,915	123,635
Revenue from joint ventures	314	448
Revenue from associates	16,739	17,317

Loans provided to related parties are generally denominated in EUR, USD, CHF, RUB.

The revenue from related parties are arising mainly from sale of pharmaceuticals.

The Company had an obligation to finance by capital contribution the following related parties: Finox Biotec, Pharmapolis and Richter-Helm BioTec GmbH & Co. KG., which is presented in Loans receivable.

All related party transactions were made on an arm's length basis.

38.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2020 HUFm	**2019** HUFm
Board of Directors	72	74
Supervisory Board	27	27
Total	**99**	**101**

38.3 Key management compensation

	2020 HUFm	2019 HUFm
Salaries and other employee benefits	2,300	1,678
Share based payments	711	506
Total compensation	**3,011**	**2,184**
Pension contribution paid by the employer	385	309
Total	**3,396**	**2,493**

The Company established the Employee's Share- Ownership Programme (ESOP). (See details in Note 26.)

The table above contains the compensation received by the chief executive officer, directors and other senior members of Management, constituting 56 people. There were no redundancy payments to key Management members in 2020.

39. Asset Held for Sale

The Company decided to sell its investments in following Moldavian subsidiaries: I.M. Gedeon Richter-Retea Farmaceutica S.R.L and I.M. Rihpangalpharma S.R.L. Accordingly, these investments are classified as held for sale in the amount of HUF 192 million. The sales transaction is expected to be closed in 2021.

40. Changes in Accounting Policy

The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then amortization calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been usually determined to be nil.
Previously, the amortisation expense of product rights, and other rights related to products are presented in two separate line items in the Income statement:

- Cost of sales
- Sales and marketing expenses.

Beginning from the preparation of the 2020 financial statements, the amortisation of all intangible assets and (other) rights related to products (except customer relationship assets) is presented as part of Cost of sales. This reclassification is in line with the way how management evaluates and manages the business. As a consequence, the new accounting policy provides more relevant information and thus increases the quality of the internal and external financial reporting.

The new accounting policy is applied retrospectively and thus the comparative figures are restated. The Cost of sales increased by HUF 6,003 million and the Sales and marketing expenses decreased by the same amount. The change affects only the Income statement. There was no other change in the comparatives.

	2019 HUFm Presented	Change HUFm	2019 HUFm Restated
Cost of sales	(118,266)	(6,003)	(124,269)
Gross profit	**248,258**	**(6,003)**	**242,255**
Sales and marketing expenses	(108,822)	6,003	(102,819)
Profit from operations	**59,955**	**-**	**59,955**

41. Notable events in 2020

In 2020 major changes took place in the following areas:

- In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing these separate financial statements, to date there has been no discernible impact on the Company's sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

- In January 2020, Nedermed B.V. was wound up without a successor.

- In February 2020, Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol (E4) and drospirenone. Richter purchased the novel oral contraceptive had developed by Mithra in September 2018.

- On 2 March 2020, Richter and WhanIn Pharm. Co., Ltd. announced the signing of an exclusive license and supply agreement to commercialize cariprazine, a novel antipsychotic in South Korea. Richter receives a one-off milestone payment upon signature and will be entitled to further sales-related milestone payments after the product is launched if certain targets are met.

- On 13 March 2020, the Company announced, subsequent to its meeting held on 09-12 March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking Esmya®. PRAC recommends suspension of ulipristal acetate for uterine fibroids during ongoing review of liver injury risk. The PRAC has recommended, as a precautionary measure, that women should stop taking 5-mg ulipristal acetate (Esmya® and generic medicines) for uterine fibroids while a safety review started this month is ongoing. No new patients should start treatment with these medicines.
The PRAC review of serious liver injury with ulipristal acetate 5 mg had found that it was not possible to identify either patients most at risk of liver injury or measures that could reduce the risk. In September 2020, the PRAC had therefore advised that these medicines should not be marketed in the EU.
In November 2020, the Committee for Medicinal Products for Human Use (CHMP) endorsed the PRAC's assessment of the risk of liver injury. However, it considered that the benefits of ulipristal acetate 5 mg in controlling fibroids may outweigh this risk in women who have no other treatment options. As a result, the CHMP recommended that the medicine remains available to treat premenopausal women who could not have surgery (or for whom surgery had not worked).
The CHMP recommendation was forwarded to the European Commission for its decision. The use of Esmya® had been suspended as a precaution while awaiting the outcome of this review.

- On 31 March 2020, Richter and Myovant Sciences GmbH announced that they had signed an exclusive license agreement for Richter to commercialize relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand. Under the terms of the agreement, Myovant shall receive upfront payment upon signature of the agreement and is eligible to receive subsequent regulatory and sales-related milestones.

- In accordance with the applicable laws of the Russian Federation, ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

- On 29 April 2020, Richter announced that it had entered into an asset purchase agreement with Mycenax Biotech Inc. in respect of biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialize the product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property rights, technology know-how and data generated by Mycenax.

- On 30 April 2020, Richter-Helm Biologics, the joint venture of Richter and Helm AG, announced that it had entered into an agreement with US based INOVIO to expand its manufacturing partnership in order to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

- On 18 June 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held by the Hungarian National Asset Management Inc. (HNMA Inc.) - to the property of Tihanyi Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 15.25%, simultaneously, the influance of Tihanyi Foundation increased to 10%.

- In August 2020, Richter and its partner Palette Life Sciences AB announced that they had received National Marketing Authorization in the United Kingdom for LIDBREE. The product is a novel, proprietary thermo gelling intrauterine formulation that can provide significant pain relief during common gynaecological procedures.

- On 19 August 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) - to the property of MUC Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 5.25%, simultaneously, the influance of MUC Foundation increased to 10%.

- In October 2020, Richter announced the signing of a license agreement with Mochida Pharmaceutical Co. Ltd. in respect of Richter’s biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement, Mochida receives rights to develop, manufacture and commercialize the product in Japan. Under the terms of the agreement, Mochida shall disburse milestone payments in a number of instalments pending on development and regulatory stages completed.

- On 3 December 2020, the Company announced that it has signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen’s Outside US Evra transdermal contraceptive patch assets. Janssen will provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The asset purchase agreement is complemented by a transitional business license agreement and series of other related agreements to run the business without interruption during the period required to transfer marketing authorizations to Richter. The purchased asset transaction was closed on 7 January 2021.

- At the end of December 2020, Richter and Estetra S.A, the wholly owned subsidiary of Mithra announced that they have extended their partnership and signed a license and supply agreement for the commercialization of a novel 15 mg estetrol (E4)/3 mg drospirenone containing combined oral contraceptive, in order to include key markets in Latin America. Under the terms of the agreement Richter will distribute Mithra's product in key markets in Latin America (Mexico, Chile, Colombia, Peru and Ecuador) with an option for other markets except for Brazil and Argentina. Richter and Mithra are currently already partnered for the commercialization of this novel oral contraceptive in Europe and in Russia.

- In 2020, Richter took further steps to expand its international business through a capital increase some of in its manufacturing companies and continuing its investments. Driven by the goal of adapting to the Russian economic policy of favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

42. Events after the date of the balance sheet

On 7 January 2021, Richter announced that the asset purchase transaction related to Evra was closed. Please see further details in Note 41.

On 15 January 2021, the Richter announced that the European Commission had adopted the CHMP opinion on restricting the use of Esmya®. Esmya® can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have not worked. Esmya® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment. Information on the risk of liver failure (requiring liver transplantation in some cases) will be added to the summary of product characteristics and the package leaflets for ulipristal acetate 5 mg medicines as well as in educational material for doctors and cards for patients.

Management is not aware of other post-balance sheet date events that might be material to the Company’s business.

43. Approval of financial statements

Current Financial Statements have been approved by the Board of Directors and authorized for release at 10 March 2021.

These Financial Statements of the Company were approved for issue by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance. The probability of any potential change required by the AGM is extremely remote.

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GEDEON RICHTER PLC.

IFRS FINANCIAL BUSINESS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gábor Orbán
Chief Executive Officer

Budapest, 10 March 2021

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1. General data

1.1. Brief history of the Company

Gedeon Richter Plc. is a leading pharmaceutical company in the Central and East European region. Its activity encompasses every aspect of the pharmaceutical industry from research and development through the manufacturing of active substances (produced synthetically, by fermentation or extraction) and finished drugs to packaging, marketing and sales. Richter's wide product range encompasses virtually all therapeutic fields. At the same time, the therapeutic breakdown of sales shows a high degree of concentration: more than three-quarters of Richter's turnover are contributed by three major therapeutic areas.

The Company's predecessor was founded in 1901 by pharmacist Gedeon Richter, who bought a pharmacy, then turned his business into a share company two decades later, in October 1923.

Due to the involvement of Hungarian and international investors the Company's capital was increased by HUF 4.4 billion to reach HUF 17.6 billion on 28 September 1994 and its shares were listed on the Budapest Stock Exchange. Privatization connected with the capital increase resulted in the expansion of sources of financing. The current share structure of the Company is disclosed in chapter 1.3 of the business report.

On 11 February 2019 it was announced that of Richter's shares held by the State a packet of 10% of the total shares would be transferred to Maecenas Universitatis Corvini Foundation, an entity exclusively owned by the State and set up to operate Corvinus University of Budapest starting from 1 July 2019. In May of 2020 it was announced that another block of Richter's shares held by the State, 10% of the total shares, would be transferred to Tihany Foundation. The above share transfers were concluded in August and June of 2020 respectively.

Major acquisitions to promote the expansion of the Company

Through the establishment of greenfield investments from the mid-1990s the parent company has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998), Poland (2002). Acquisitions were aimed at a biotechnology company in Germany (2007), and Swiss women's healthcare product development firms (2010 and 2016).

Richter's recent acquisitions, the purchase of 100% of the shares of the Swiss PregLem Group (October 2010) and the buyout of Grünenthal, a German generic pharma company's women's healthcare portfolio (November 2010) enables the Company to carve out a share of the market of innovative women's healthcare products while geographically expanding the market of Richter's traditional women's healthcare products. The change has strategic importance for the Company.

At the end of June 2016 Richter announced the acquisition of Finox Holding, a Swiss based biotech company engaged in the development and commercialisation of innovative and cost effective products addressing female fertility. Finox Holding's product Bemfola® is a recombinant human follicle stimulating hormone (r-hFSH), the first biosimilar r-hFSH product for which marketing authorisation was granted in Europe. Richter has obtained global rights for Bemfola® (with the exception of the United States). Consequent to this acquisition Richter added female fertility to its growing specialised Women's Healthcare business, and also managed to enhance its opportunities in the biolsimilar market.

In Q1 of 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. This company will be active in the promotion and marketing of prescription drugs. The buyout was completed in February 2017 when the last portion of its holding was paid.
In the second half of 2013 Richter started to expand in the Central and South American region by founding a company in Colombia as a first step, followed by acquisitions in Brazil and Mexico. The acquisition process was concluded in October 2015 and resulted in Richter's holding 100% of the shares of Mediplus Group.

As a result of these transactions the Company has appeared directly in the world's fastest growing pharmaceutical markets (China and the Latin American region), and has taken strategic steps to increase its geographical penetration. Richter's women’s healthcare portfolio is given a prominent role in every market.

Business model

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 establishment and continouos expansion of a specialized marketing network have created the foundation for a strong multinational Group. As a result of developments that started in the early 1990s today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.

Revamped in 2010, Richter's strategy has raised the support of the so-called specialty pharma products, i.e. development, manufacture and sales of pharmaceutical products with high value added a priority strategic goal. This goal is served by R&D projects conducted in connection with the central nervous system and in the field of biotechnology, and also by the ongoing development and expansion through acquisitions of the women’s healthcare portfolio.

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).

Richter Group companies are classified into the following six categories:

- **Richter’s HQ in Hungary, parent company of the Group** (including the Budapest, Dorog and Debrecen sites): undertaking research and development, production, sourcing, logistics and coordination of Group level sales.
- **Pharmaceutical subsidiaries and joint venture companies:** Richter Group has manufacturing facilities in Poland, Romania, Russia, India and Germany. Drugs manufactured in these facilities are marketed globally.
- **Trading subsidiaries and offices:** undertake and support trading and marketing duties in local markets on behalf of the parent company and other Group’s companies.
- **Wholesale and retail companies:** active in wholesale and retail, receiving marketing support from the parent company or the trading subsidiaries.
- **Service companies:** established to support R&D, manufacturing, logistics, admin and other business processes.
- **Other units:** dormant companies and establishments not directly related to Richter Group’s core business.

1.2. Main objectives for 2020

The Company's main objectives for 2020 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the women’s healthcare business; to develop a new original CNS product; and to take further steps in the development of biosimilar products. The biggest impact on Richter’s operating environment in 2020 was the outbreak of the COVID-19 pandemic. The related detailed disclosure can be found in the III) COVID Annex to the Annual Report by IFRS.

In 2020 major changes took place in the following areas:

- In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing these separate financial statements, to date there has been no discernible impact on the Company’s sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

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1.3. Share structure of the Company

The share structure of the Company is presented in Note 25 to the IFRS Annual Report.
There are no shares in issue that involve special control rights.
Gedeon Richter Plc. has no shares whose market trading is not permitted.
There is no restriction regarding the transfer of shares in issue representing the share capital.
The Company is not aware of any agreement between shareholders that would result in restricting shares issued or the transfer of voting rights.
Each share with a face value of HUF 100 entitles the holder to one vote; however, the Statutes restrict the exercise of shareholders' rights by stipulating that at the AGM no shareholder shall exercise voting rights, in their own right or as a proxy of another shareholder, alone or together with other related person(s) in excess of 25% of the voting rights represented by the shareholders attending in person or by proxy.

As of 1 January 2020 the number of ordinary shares comprising the Company's subscribed capital was 186,374,860. The number of shares did not change in the course of 2020.

The closing price of shares as of 30 December 2019 was HUF 6,415 compared to HUF 7,440 as of 30 December 2020. Average monthly share prices in 2020 varied between the minimum of HUF 6,108 per share (in March) and the maximum of HUF 7,395 per share (in December).

1.4. Treasury shares

Detailed information and events related to the Company's treasury shares are presented in Note 26 to the IFRS Annual Report.

1.5. Corporate governance

Statement on corporate governance

Corporate Governance principles and practice implemented by the Company are in accordance both with the guidelines set by the Budapest Stock Exchange, the directives of the capital market, the provisions of the Civil Code and the Statutes (www.richter.hu). In addition, the Company reviews from time to time the principles applied on an ongoing basis, in order to appropriately control the Group's operation in compliance with continuously developing international practices. In matters where the Company does not apply the guidelines of the Budapest Stock Exchange or the directives of the capital market, or does not apply them in their entirety, the Annual Report on Corporate Governance is applicable. The Report on Corporate Governance is part of the Annual Report; it is deliberated and approved by the AGM as a separate agenda item, and it is published on the website of the Budapest Stock Exchange as well as on the Company websites.
In 2019 the Company did not depart from the regulatory methods described above.
Gedeon Richter’s key principles of Corporate Governance are to create and maintain satisfactory dialogue with shareholders to enhance shareholder value, to differentiate the roles and responsibilities of the Board of Directors, the Executive Board and the Supervisory Board, and to operate the Group’s business in compliance with legal and regulatory requirements and to maintain the highest ethical standards.

Corporate bodies

The Annual General Meeting is the supreme decision making body of the Company, and comprises all shareholders. The Annual General Meeting decides, inter alia, on the adoption of the annual financial statements and the appropriation of profit, the election or removal of members of the Board of Directors, Supervisory Board and Audit Committee, the appointment of the statutory auditor, amendments to the Statutes, changes that have a significant impact on the Company’s share capital and other issues within its competence under the Statutes.

Rules of amendment to the Statutes:

- As a general rule, unless otherwise provided for by the Statutes, modification of the Statutes require a three-quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote;
- The following decisions require a greater majority pursuant to the Statues (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares):
  - Changing the form of the Company,
  - Transformation and termination of the Company without succession,
  - Cutback or discontinuation of the Company's R&D or manufacturing activities in Hungary,
  - Any change in the name, the registered company name and/or trade name of the Company,
  - Changing the seat of the Company,
  - Discontinuation or deletion from the Companies Register of the Company's core business.
- Articles 12.1 d) and y) of the Statutes specifically provide for the election, removal and remuneration of the members of the Board of Directors, the Supervisory Board, the Audit Committee and of the Auditor,
- In matters falling within the exclusive competence of the General Meeting as defined by Article 12.1 of the Statutes (except for the matters listed above) the following rules are applicable:
  - three-quarters majority of the votes present at the General Meeting, but at least 35% +1 vote;
  - three-quarters majority of the votes present at the General Meeting, but at least 20% +1 vote;
  - a simple majority of the votes present at the General Meeting, but at least 20% +1 vote;

The **Board of Directors** is the supreme decision-making body of the Company except with respect to those matters reserved for AGM. A majority of directors on the Board are non-executive directors. All the non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The offices of CEO and Chairman are held separately. Directors of the Board are not entitled to issue or redeem shares. The Board works according to an agreed agenda in reviewing the key activities of the Company's business. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected by the AGM for a maximum term of five years. In 2004 the Board decided to set up two subcommittees which prepare and submit proposals contributing to the Board's decision making process. Each subcommittee consists of at least three non-executive independent Board directors.

The **Corporate Governance** and **Nomination Subcommittee** is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. This responsibility includes establishing the criteria for Board membership; conducting appropriate inquiries into the background and qualifications of possible candidates; considering matters of corporate governance and reviewing periodically our Corporate Governance Principles. The Board of Directors discusses the recommendations of the Corporate Governance and Nomination Subcommittee and drafts a proposal for the election of officers for the consideration of the General Meeting.

The **Remuneration Subcommittee** is responsible for establishing annual and long-term performance goals and objectives for elected officers. This responsibility includes preparing proposals for the compensation of the Chief Executive Officer.

The **Executive Board** is responsible for the executive management of the Company's business. The Executive Board is chaired by the CEO. In order to maintain a sharp focus on strategic management the board comprises only the Executive Directors.

Overseeing the management of the Company is performed by the Supervisory Board. It meets on a regular basis in accordance with statutory provisions and at other times when necessary to consider details of the Company's operating activities. It submits proposals to the Board of Directors and discusses the Company's strategy, financial results, investment policy and systems of internal audit and control. The Supervisory Board is provided with regular and detailed information about the management of the Company, and the chairman is entitled to attend the meetings of the Board of Directors with the right to consultation. The members of the Supervisory Board are elected or re-elected by the AGM for a maximum term of three years.

The Company has an **Audit Committee** comprising three members elected by the General Meeting from among the independent members of the Supervisory Board. The Audit Committee is responsible for the oversight of the Company's internal accounting standards.

The company has no agreement with its officers or employees that provide for indemnification in the event the officer resigns or the employee terminates their employment, or the officer, or employee terminates their legal relationship illegally or the legal relationship ceases as a result of a public bid.

Risk management and internal control

Richter undertakes risk management in the context of running its business efficiently. We aim at the timely recognition, the precise understanding and the assessment of the risks, and to implement effective countermeasures. Our risk management activity includes the evaluation of internal controls so that our risk assessment supports the Company in maintaining efficient internal control.

Richter's view is that not all risk management aspects can be formalised, and in our risk-related decisions and in the implementation of internal requirements and rules we rely on the Company's relevant bodies and trust the skills, experience and judgement of our decision-makers.

Accountability and control related to risk management

- The Board of Directors is responsible for the oversight and control of the Company's risk management and calls on the Executive Board to report in order to identify the main risk areas; in collaboration with the management it develops the basic risk management requirements, and regularly acquires information on the effectiveness of related risk management procedures and internal control processes.

- The Executive Board reports to the Board of Directors in respect of the implementation of risk management procedures and is ultimately accountable for risk management. Moreover, it is the duty of the Executive Board to develop and maintain an internal control system to manage risks associated with the Company's business and to promote Company's goals.
- Strategic risk management is the duty of the directors responsible for the respective strategic pillars determined in the Company's strategy.
- The various functional areas are responsible for managing the operational risks arising in their particular field and the compliance risks within their sphere of competence. In meeting this duty the heads of the areas of operation are supported by the meetings of the corporate bodies. In the context of the company's internal reporting procedure heads of the operational areas report to the Executive Board on risks arising in their particular area.
- The Company’s special operational body is in charge of managing employees’ COVID-19 related health risk, as well as the negative effects of the pandemic on the Company’s operation and on the supplier chain.
- Financial risks are managed in a centralised way by the Company's financial management.
- The key components of control are management control, integrated process control, independent internal audits, and external auditors.
- Internal audits are conducted by the Audit Department based on a preliminarily approved annual schedule and aim to ascertain by an independent and objective assessment whether the internal control system is suitable for efficient risk management. When drawing up the annual audit plan the Company's risks are taken into consideration (on the basis of importance and by rota), as are the Executive Board's recommendations.
- Risk management, internal controls and corporate governance are evaluated annually in the context of the Annual Report.
- The Supervisory Board and the Audit Committee reviews the defined risks and risk management mechanisms once a year.

Policy of diversity

In its operation Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success, and believes that the Company’s success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual’s personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Company's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter’s operation; when drafting internal regulations the Company strives to shape the corporate environment to meet this principle.

To implement the Company's views in practice, on 28 May 2018 was adopted and on 21 June 2018 was announced by the Board of Directors the Diversity Policy regarding the Company's leading bodies, i.e the Executive Board, the Board of Directors and the Supervisory Board. The Diversity Policy accepted for a five-year periods, whose implementation is closely tracked by the Board, determines the diversity aspects and objectives applicable for the Company’s business management, executive and supervisory bodies.

In the spirit of diversity, when composing the Company's leading bodies priority will be given to knowledge related to Richter's main business, expertise in the economic, social and environmental contexts of the Company's operation, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in the pharmaceutical industry as well as finance and economics; Richter, therefore, makes an effort to have members with appropriately diverse professional backgrounds serving on its leading bodies.

The goals formulated in the Policy in conjunction with the leading bodies envision that

- both sexes should be represented among the members to the extent that the aggregate rate of women should be at least 30%,
- the age distribution of members should be balanced, and
- members should also include gifted under-50 persons with appropriate competences.

The Company pays attention to the considerations and goals determined in the Policy when nominating members to the Board of Directors, the Supervisory Board and the Audit Board, and when selecting members and planning potential successors to serve on the Executive Board. As a public limited company, Richter has no power other than nominating members on the company's boards; their election is the exclusive competence of the AGM.

In 2020, pursuant to Section 5 (1) and Section 9 of Government Decree 102 of 2020 (10 April) on the special rules to be applied by personal and property joint ventures during the emergency period, the Board

of Directors, acting within the powers of the General Meeting, took decisions regarding the composition of the Board of Directors. There was no significant change in the breakdown by age of the Board as a result of the decisions.
Women's 30% participation in the Supervisory Board stayed unchanged throughout 2020.
The Company considers it important to regularly inform the shareholders about its Diversity Policy in the Annual Report and the Report on Corporate Governance including changes in, and achievements through, the Policy.

Global Compliance Program

The Global Compliance Program was introduced by Richter in November 2016 with the main goal of following, compliance and enforcing compliance with European and national regulations, industrial standards, and international business standards and ethics. As a first step the Global Compliance Program was introduced in Hungary and in the European Economic Area states. In 2018 and in 2019 the Program was extented to Latin American countries, and to the subsidiaries and representative offices in the CIS member states. As part of the extension of the Program, relevant chapters of the Compliance Handbook were translated to the local languages and were adapted to the local environments so that they become enshrined in local rules and regulations. Once compliance education and training materials had been localised, local staff could undergo the necessary training.

Richter's Code of Ethics provides for all employees to respect the human rights laid down in relevant international agreements and local legislation and regulations. Richter strongly condemns trafficking in human beings, any form of exploitation of children and forced labour, and seeks to prevent all such activities within the scope and supply chain. Furthermore, Richter strictly prohibits cruel or degrading treatment of its employees.

In its chapters Business Conduct and Transparency Policy of the Compliance Handbook provides for the fight against corruption and sets out the principles regarding bribery. Chapter One (Anti-bribery and corruption) contains detailed rules Richter's employees (including its officers) must comply with. These rules are aimed at avoiding active and passive involvement in corruption. After this general chapter two chapters address the two main risk areas in the pharmaceutical industry: contacts with health professionals, and pharmaceutical promotion. In its contacts with health professionals Richter strives to observe the strictest rules of integrity, and to meet the most rigorous statutory provisions and regulations in every respect.
The last chapter of the Handbook presents the transparency principles and practices prescribed by the self-regulating pharmaceutical organization Medicines for Europe. Transparent relationship and connections between Richter and patient organisations, health professionals and service providers promote informed decisions. As a member of Medicines for Europe, Richter commits to publish payments and benefits provided to, and agreements concluded with, patient organisations, health professionals and service providers. A transparency report was published for 2019, at the end of June of 2020.

Compliance with Richter's Anti-corruption Handbook is crucial not only with respect to our employees but also to every member of the Company's entire supply chain. All of our third-party contracts contain an anti-corruption clause which reflects the provisions of the Anti-corruption Handbook and whose acceptance is an integral condition of contracting.

Richter expects all of its employees, consultants, representatives, suppliers and other business partners to observe the standards set out in the Compliance Handbook. In keeping with the Program a Compliance Hotline is operated by the Legal and Global Operations Management, it functions as a Group level system for handling reports related to the Compliance Handbook. Staff report abuse or ethical violation they experience by e-mail or phone, if necessary, anonymously. Over the past years, the use of the Compliance Hotline became widely accepted; employees asked questions regarding the Compliance Manual and the Global Compliance Program with increasing frequency.

In recent years the Compliance Hotline received several reports of conflicts of interest, therefore the Company drafted its Conflict of Interest Regulations, which entered into effect in H1 of 2020. The purpose of the Regulations is to draw employees' attention to potential conflicts of interest, to prevent conflicts of interest or manage them once they arise.

In 2020 Richter's education strategy was focused on identifying compliance and data protection training necessary for every employee across the board, and training needed in certain jobs. By the end of 2020 staff training was completed in regard of the Code of Ethics, the Compliance Hotline, the Confidentiality Regulations which entered into force this year, and the Conflict of Interest Policy.

Regular semi-annual Compliance & Data Privacy Dotted Line Reporting was introduced in 2020. The goal is to forge closer connections between the Company and the subsidiaries, and to improve the transparency of subsidiaries' compliance and data protection activities.

Richter intends to further strengthen the compliance function, which will help the parent company exercise a higher level of control in Richter Group's geographical area of operation through an international compliance network.

1.6. Branches

The branches of Richter Gedeon Vegyészeti Gyár Rt. (Gedeon Richter Chemical Plant Ltd.) are as follows:
27 Esztergomi út, H-2510 Dorog
20 Richter Gedeon utca, H-4031 Debrecen
8 Kígyóhagyma utca, H-4031 Debrecen
6 Eötvös utca, H-6720 Szeged
513/2 hrsz. H-7673 Kővágószőlős

1.7. Other information

The Company's non-financial performance indicators are the number of new products launched, the number of renewal application (3.1), the volume of production (3.2) and the data on employee diversity and the number of graduates (4.).

Separate and consolidated IFRS financial statements

As its securities are traded on regulated markets of EEA countries, the Company has prepared both its separate and consolidated financial statements according to the International Financial Reporting Standards.

2. 2020 operating review

2.1. The balance sheet as of 31 December 2020

The Company discloses the composition of the main balance sheet items and the reason for any change associated with them in Notes 13-31 to the IFRS Annual Report.
Within these, Gedeon Richter Plc. describes the details of classification, valuation and risks of its financial instruments in the following chapters of the Annual Report prepared in accordance with the International Financial Reporting Standards: 2. Summary of significant accounting policies: VII) Financial assets, VIII) Financial liabilities, XI) Other financial assets, XVII) Derivative financial instruments, and 10. Financial instruments, 11. Fair value of financial instruments and 12. Financial derivative instruments.

2.2. The 2020 income statement

The Company presents the items of the profit and loss statement in Notes 4-9 to the IFRS Annual Report.

Revenue

	2019	2020	Variance	
	HUF million	HUF million	HUF million	%
Hungary	39,682	40,971	1,289	3.2
International markets				
CIS	109,672	110,590	918	0.8
EU *	107,835	118,231	10,396	9.6
USA	67,917	101,450	33,533	49.4
China	18,984	10,764	-8,220	-43.3
Latin America	3,974	5,381	1,407	35.4
Other countries	18,460	25,587	7,127	38.6.
International markets TOTAL	326,842	372,003	45,161	13.8
Total	**366,524**	**412,974**	**46,450**	**12.7**

* Excluding Hungary

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 is the only Hungarian-based pharma company today with R&D staff exceeding 1000 and is the most significant pharmaceutical R&D base in the Central and Eastern European region. R&D is focused on three strategic areas: research and development of new small molecules, biotechnology and generic research and development.
R&D expenses was 12.8% of sales income in 2020 and amounted HUF 53,023 million.

Original research of Central Nervous System

In 2020 preclinical research activities were reconsidered and transformed. This was done by cutting down on the number of projects and speeding up their progress, thereby concentrating resources. Taking into account the modality-based (principle of biological operation-based) classification of biological targets, the Company discontinued several preclinical research projects. The plans of the remaining projects were reviewed after reallocation of freed-up resources, and milestones were brought forward. As a result of all this, two projects entered in the clinical phase besides 7 projects at the preclinical stage.

Several factors hindered the progress of our preclinical projects throughout the year. As a direct impact of the pandemic, patient enrolments slowed down, and mandatory additional tests caused a slight increase in costs. Another negative effect was that some of the projects in the clinical portfolio had to be discontinued predominantly for professional reasons or new strategies had to be devised.

Expansion of the market related to Cariprazine continued in the course of the year. As a result, several new market authorisations were secured, and a new partner agreement was concluded. Ongoing clinical trials also continued in 2020 but here again, the COVID-19 pandemic caused patient enrolments to slow down. Consequently, it is impossible to estimate the conclusion of clinical trials just yet.

Women's Healthcare

One of the world's most experienced manufacturers of steroid products, Richter has been traditionally strong in the women's healthcare market.
Among the 2020 tasks, further development of oral contraceptive API synthesis leading to cost reduction should be highlighted.

In an effort to strengthen our women's healthcare portfolio Richter has signed development collaboration agreements with several companies (for example Evestra). Richter Group intends to expand the scope of collaboration in the coming years.

Generic research

The Company's contribution to combat the 2020 upsurge of the COVID-19 pandemic was the uniquely quick development of the antiviral drug remdesivir. Clinical trials have started with the involvement of large numbers of patients.

At the closing of 2020, Richter had 25 generic development and 15 licence topics in progress.
Exploring opportunities to increase profit and project management of the complex activities selected should be highlighted among the topics of the year. Vaginal ring developments, a joint project with Evestra, were dropped from the Company's development portfolio. As biotechnology and original development projects are conducted predominantly at the parent company, development sites of the subsidiaries have been appreciated as regards generic R&D (Gedeon Richter Romania S.A., Gedeon Richter Polska Sp. z o.o.).

The Company launched two proprietary products and six licensed products in 2020, all of which are new in the markets where they were launched. It is also to be mentioned that several products already commercialised have been launched in important new markets.

A The main elements of the Company's pharmacovigilance strategy and goals include ensuring compliance and promoting efficiency, hence cost effectiveness. Another key component is operating a Group level system. To this end, process and systems developments started in previous years to optimise pharmacovigilance were continued in 2020.
The global pharmacovigilance system works for all of Richter Group's commercialised products as well as those with marketing authorisation issued and registration pending. In addition, the system lays the basis of pharmacovigilance for future products that currently being developed. The driving engine of the pharmacovigilance system is the Company.

In the course of the year Richter secured 115 new regulatory approvals; 271 marketing authorisations were renewed, and 484 MA requests are pending with the regulatory authorities. In 2020, 226 applications for withdrawal were submitted and on a global level, 194 withdrawal proceduress were concluded.

Biotechnology

To bring development and manufacture of biosimilar products to new heights the Company set up an independent organisational unit named Biotechnology Business, which has been in operation since 1 July 2016. The unit is actively involved in the expansion of the biosimilar business by developing a global network of partners in product development and commercialisation.

On 20 August 2019 Richter announced that it launched its biosimilar teriparatide in Europe. The product has been launched through Richter's subsidiaries under the brand name Terrosa® after the expiry of the patent protection of the European reference product (Eli Lilly's Forsteo). The biosimilar teriparatide has been developed by the Company's subsidiary Richter-Helm BioTec GmbH & Co. KG. Based on the effective license, Stada also launched the product in Europe with the brand name Movymia. In September 2019 Richter announced that its license partner Mochida Pharmaceutical Co. received marketing authorization for biosimilar teriparatide in Japan and launched the product in November. Despite COVID, 2020 sales increased.

Additional candidates of the biosimilar portfolio are tocilizumab (rheumatology) and denosumab (osteoporosis). These products belong to the fastest-evolving therapeutic groups.
In April 2020 Richter purchased tocilizumab developed by Mycenax (reference product: Roche's branded product Actemra). After the chemistry, manufacturing and controls (CMC) stage to be concluded in 2021, clinical trials will be conducted jointly with the Japanese company Mochida.
In the course of 2021 denosumab (reference product: Amgen's branded products Prolia and Xgave) for the European and U.S. markets will enter clinical phase.

With regard to the large number of market players, in early 2020 the Company decided to discontinue research related to pegfilgrastim (reference product: Amgen's branded product Neulasta).

After commissioning the second production line in 2020, the Debrecen site offers multifaceted simultaneous manufacturing capacities. This allows to meet the needs related not only to the Company's portfolio of biosimilar products but also those of external partners.

Development and distribution of biotechnology products is supported in Europe by Stada, in Japan by Mochida in the context of cooperation agreements.

3.2. Production

Production in the manufacturing plants: the output of plants manufacturing semi-finished products increased by a total of 3 %, which is explained by 3% rise in solid drugs production and a 15% rise in injectables.
In 2020 the production value of own-produced non-steroid APIs was up by 14.4% at transfer price (owing to increasing export and production demands), while steroids dropped by 7%.
The mandatory introduction of serialisation of European products had a negative effect on finished products packaging capacities and efficiency in 2019. Russian serialisation was also started but due to adequate preparation and previous experience, it caused no production problems.
Richter works in close cooperation with its subsidiaries in the fields of product and technology transfer, outsourcing and development.

3.3. Environmental protection, occupational health and safety

<u>Environmental protection</u>

To minimise the environmental load of its manufacturing activities is a priority task for Richter, therefore the most state-of-the-art technologies are applied in order to continuously decrease negative environmental impacts.

The different manufacturing activities involve largely varied environmental risks and actual impacts:
- API manufacturing is essentially a chemical activity. Only a small proportion of the materials used are actually incorporated in the high-purity end product, therefore these non-recyclable materials used in chemical technologies present the greatest environmental load and risk.
- Due to its nature, biotechnology-based manufacturing does not require the use of large quantities of environmentally harmful substances, therefore it involves little environmental load and low environmental risk.
- Packaging is part of pharmaceutical manufacturing, where most of the materials used are built in the product. Here again, the environmental load and risk are minor.

Richter's guidelines of environmental protection are laid down in the Environmental Policy and are implemented through the Environmental Management System (KIR) awarded an ISO 14001 certificate. In 2020 KIR was successfully audited for ISO 14001 certificate.

The KIR analyses and manages risks affecting the environment, particularly the natural environment, in according with the provisions of the ISO standard (emission limits, data supply, and the requisite licenses). Functioning and risk management under the KIR is verified through annual inspection audits by an independent certifying body.

Richter compiles its environmental performance indicators in accordance with the Global Reporting Initiative (GRI) Guidelines and publishes them along with the measures implemented and planned and their evaluation in a biannual Sustainability Report available on the Internet.

Occupational health and Safety

A typical source of hazard at Richter's workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs).
Richter has been constantly working on optimising its health and safety processes; as a result of the 2020 passed revision audit of the Occupational Safety and Health Management System (MEBIR: OSHAS 18001) by the supervisory agencies, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules and regulations. In the course of 2019 Richter began the process of mandatory conversion to the MEBIR standard required under Hungarian Standard MSZ ISO 45001:2018. The Company has kept its MEBIR processes running amidst the COVID pandemic. The Security Technology Lab has retained its accredited status at both sites. Analysis and data supply required for revamping the outdated MEBIR SW (Standard Work) environment was completed in 2020. Implementation will be a multiple-year process starting in 2021.

Richter fully complies with the requirements of chemical safety set out in the EC regulations REACH and CLP and pays special attention to the provisions of the directive on equipment of potentially explosive atmospheres (ATEX), as well as to the requirements related to the prevention of serious accidents.
There was no technology related fatal, serious or mass accidents in 2020, no deficiencies of note were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an ongoing basis.

Water pollution, protection of water quality and noise management

The review and necessary repair of the wastewater system in Budapest and Dorog was concluded according the plans. At the Dorog plant a decanter centrifuge was installed, allowing automatic sludge dewatering, which resulted in diminished disposal costs. In Debrecen the new averaging pool of the pre-treatment system was commissioned, compensating for the qualitative and quantitative fluctuations of the wastewater discharged.

Waste management

In 2020 hazardous wastes were incinerated, deposited or composted. Waste has been collected selectively since 2012. After lengthy preparations, the Budapest site started a selective office waste disposal pilot project in 2020. This also signalled the beginning of the centralisation of the Company's waste management system. After 29.8% increase, the costs of waste management amounted to HUF 1,300 million in 2020.

4. Human resource management

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 in the interest of achieving the business goals, and involve IT skills and language proficiency development in addition to the in-service training required by the regulatory authority.
Richter is aiming at providing equal employment opportunities, and strives to treat all applicants and employees equally irrespective of their racial or ethnic background, colour, religious conviction, origin, sex, sexual orientation or identity and its manifestation, age, nationality, family status, pregnancy, family planning or related health status, genetic traits, military service, health status or other traits described in the relevant statutory provisions.
Professional and management career opportunities are open for Richter's female employees nearly 49 % of Richter's staff is female, and their respective rate in managerial positions (from deputy head of department

to the top management) is 40%. Richter provides many opportunities for personal development. Male and female staff participate in training programs supported by the Company in equal proportions.
Since April 1992 the Trade Union of Pharmaceutical Workers has been the advocacy organisation of Richter's workers. Affiliated to VDSZ, the Federation of Trade Unions in the Chemical, Energy and Related Sectors, it is an independent CSO. Its main goal is to advocate for employees' interests on an ongoing basis and to act as a bridge of information between employers and employees in issues such as collective bargaining and agreement, wage negotiations, and other matters of concern for employees.
Employees’ performance is measured by means of a general 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 2020 the Performance Evaluation System was supplemented by performance calibration allowing individual performance to be determined not only compared to itself but also to others’ performance. The purpose of calibration is to have performance evaluated objectively, reflecting reality, on a uniformly interpreted scale. Launched in late 2018, the self-service employee and management HR system is expanded by new developments and modules on an ongoing basis.

In 2020 Richter introduced the Richter Grade System, which encompasses all of the jobs. It classifies the jobs as well as the duties and information attached to them according to uniform principles and criteria. In the course of the year all of the staff were acquainted with the new system and the RG grade of their own jobs.

As of 31 December 2020 headcount was 6,475 including 5,828 persons employed in Hungary. Of the Hungarian headcount 3,042 work in white-collar positions including 2,413 university or college graduates. Graduate educated personnel in Hungary represented 79% of white collar staff.

5. Capital expenditure on tangibles and intangible assets

The Company presents the main asset acquisitions in Notes 13 and 33 to the IFRS Annual Report.

6. Foreign investment

The Company presents its investments in detail in Notes 14-15 to the IFRS Annual Report.

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, pharmaceutical industry related operating and compliance, as well as financial risks following the risk management approach elaborated with a consultant. The identified risks have been evaluated by the management of the Company.

The following risks proved to be the most typical in each category based on the assessment:

Strategic risks

Risk	Description	Priority risk management procedures	Changes in risk
Cariprazine's considerable significance in contributing to the company's sales return and profits	Cariprazine's contribution overwhelmingly depends on the net sales income achieved by our U.S. license partner and the long-term existence of the American drug pricing environment conducive to the introduction of innovative medicinal products	Joint indication extension and PASS studies with our U.S. partner, license agreements with new partners to extend the geographic areas	Increasing risk
Higher risk involved by original CNS (central nervous system) research projects entering into advanced stages	Several CNS research projects are entering the clinical trials stage with high costs and high dropout risk	Regular review of projects along rigorous criteria ("go–no go" decisions), involvement of developing and license partner from the proof of concept stage	Unchanged risk
Licensing and development of women’s health specialty products together with partners	Multiple specialty product development projects are conducted simultaneously, with higher costs and risk compared to generic development	Conclusion of complex agreements on development and licensing of women’s health products, close collaboration with partners in development projects, strengthening project management	Increasing risk
Biosimilar product development and commercialisation as well as licensing with own resources and with partners	Product development requires high-tech installations and knowhow; registration requires clinical trials meeting stringent regulatory requirements	Creation of high-tech biotech capacities, promotion of the medical and regulatory areas, close monitoring of clinical trials and CROs (Contract Research Organizations), strengthening project management	Unchanged risk
Maintenance of turnover of branded generic products	The markets of our branded generic products are characterised by government-induced price pressure, keen competition, eroding prices, and short product cycles	Development of well-chosen new generic products and being among the first to launch them in our key markets, strengthening project management	Unchanged risk
Protection of our classic product portfolio amidst shrinking market opportunities	Narrowing of indication or withdrawal in the event of reports of adverse effects and inadequate compliance with tightening regulatory requirements over time	Special attention in PV (pharmacovigilance) system, active regulatory dialogue, sustaining development projects, Life Cycle management	Unchanged risk

Pharmaceutical industry related price reimbursement, operational and compliance risks

Risk	Description	Priority risk management procedures	Changes in risk
Employees' health risks related to the COVID-19 pandemic and their negative impacts on operation and the supply chain	Employees becoming infected and sick, emergence of secondary sources. Additional costs of safety measures in production, impossibility of pharma reps' work, delays in R&D, slowing down of regulatory processes, disruptions in the supply chain	Stockpiling, preventive and localising safety measures, mandating home office work in jobs manageable in distance mode, setting up Corporate COVID Response Group in order to take wide-ranging protective measures urgently	NEW RISK!
Negative changes in drug price subsidy in the CEE region, Russia and China; claw-back taxes in European countries	Cutting the price and range of subsidised drugs may reduce the margin in the CEE region, in Russia and China; claw-back taxes reduce operating profit	Exposure may be reduced by introducing new products and focusing promotion on less threatened products	Unchanged risk
Difficulties of hiring qualified workforce at the Group's CEE subsidiaries	In the 2016-2019 period hiring qualified pharmaceutical workforce was increasingly difficult in the Hungarian, Romanian and Polish labour market; in 2020 staffing problems eased (due partly to the COVID crisis)	Application of pay raise and long-term loyalty enhancing schemes; Special wage increase in production facilities; launching own vocational training Relocation of production to Russia University training partnerships	Decreasing risk
Increasing costs and decreasing output due to EU serialisation requirements entering into effect and introduction of serialisation in Russia	Printing of packaging unit level ID marks and transferring them through the IT systems requires substantial investment. In the period of preparation for and introduction of serialisation, this output caused shortages in the market; by 2020, these difficulties have been resolved.	Employment of additional workforce, introduction of weekend shifts, purchasing new packaging lines	Decreasing risk
Commercialisation practices in keeping with industry ethical standards, superior data protection	Employee conduct violating ethical and advertising rules of drug promotion; Violation of GDPR provisions due to unauthorised use of personal data or inadequate data protection	Compliance approved by the Board; GDPR regulations and preparation; IT security developments	Unchanged risk

Risk	Description	Priority risk management procedures	Changes in risk
Meeting in some cases extremely high quality and chemical safety standards of pharmaceutical product development and manufacturing; monitoring adverse effects and product liability risk throughout the entire life cycle	Violation of GMP, GLP, GCP (Good Clinical Practice) , GDP (Good Distribution Practice), IT GXP (Good IT Practice) , PV provisions may result in loss of licenses; Product quality non-compliance, delays, costs causing competitive disadvantage and loss of reputation due to shortcomings of suppliers; New adverse effect, contamination, manufacturing error, wilful damage, forgery Compliance risk related to authorisation/restriction introduced by EU chemical safety regulation (REACH)	Equipment ensuring GMP compliance Manufacturing as per registration, quality assurance, Implementation of quality assurance systems, SOP regulated operation, Development of own APIs in the case of key products; Supplier qualification system, efforts to register alternative suppliers; Product liability insurance, general liability insurance, indemnification Ongoing monitoring of the utilisation of substances restricted under REACH	Unchanged risk*
Ensuring high-standard availability of pharmaceutical and supplier system installations and IT systems, maintenance of appropriate level of IT security	API manufacturing is dangerous with fire and explosion hazard; shortage of products due to loss of parts of plants; Drop in production due to single machine defects, inspection risk due to obsolescence; Outages of the supplier system Loss of IT servers, scarcity of data transfer capacities, unauthorised access, data theft	Production security measures based on the recommendations of "Risk survey," asset and business interruption insurance; Capacity maintaining investments, maintenance of appropriate standards, trouble shooting; Upgrading the technical level and automated surveillance of systems thereby improving operational security Regulations, development and training improving IT security	Unchanged risk*
Maintenance of high-quality occupational health protection system; Application of procedures reducing environmental load below the limits	API exposure, work related accidents, loss of workforce, indemnification; Strict environmental load limits must be observed (noise, dust, wastewater), costly waste disposal	Application and certification of OHSAS; Comprehensive life and accident insurance; Company environmental protection organisation, operating Environmental Management System (KIR), monitoring, certification, investments	Unchanged risk*

* Risk management succeeded in offsetting exposure and risk probability.

Financial risks

The price risk, credit risk, interest rate risk, liquidity and cash-flow risk of the Company is presented in detail in Note 10 to the IFRS Annual Report.

Risk	Description	Priority risk management procedures	Changes in risk
Exchange rate risk of cash flows and financial instruments	The Group has substantial surplus income and financial instruments in RUB, USD and other Forex whose HUF and EUR value is affected by exchange rate volatility that may result in losses	Partial natural hedge with costs incurred in the same Forex, reduction of open positions by exchange Financial hedging only by authorisation of the Board of Directors	Unchanged risk
Customer credit risk	Customer credit risk is higher in some of the Group's markets (CIS, Other countries) and with some of the Group members' buyers (Romanian wholesale company)	Extended insurance with MEHIB on CIS and Other countries trade receivables of Richter Group Market COFACE insurance on Pharmafam's Romanian customers	Unchanged risk*
Risks associated with management and investment of funds (liquidity, partner and interest rate risks)	Secure investment of the parent company's temporarily liquid assets must be solved; Secure management of subsidiaries' occasionally substantial liquid assets must be solved	At parent company: BoD approved financial investment regulations, its strict observation and supervision; Centralised control of subsidiaries' liquid assets	Unchanged risk*
Taxation risks	Parent company: certifying eligibility for R&D and royalty related tax allowance; Group: justification of transfer pricing among affiliated undertakings	Procedure to report royalty related tax allowance agreed upon by the tax authority, possibility for the parent company to carry forward unused tax credit from unused tax losses (TLCF) Group: process established based on transfer pricing Masterfile, local transfer pricing documentations	Unchanged risk

* Risk management succeeded in offsetting exposure and risk probability.

8. Events after the reporting period

Significant events after the balance sheet date are described in detail in Note 42 to the IFRS Annual Report.

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.

The Company focuses on strengthening its presence in, and increasing exports to, European Union, primarily in the EU15 (including UK), and China, retaining and strengthening positions acquired in the United States, and developing new long-term research and development cooperation with existing and new partners.
The main tool to achieve these goals in the context of Hungary, the CIS and the European countries is to improve the efficiency of Richter's sales networks. In Western Europe the strategy is implemented by means of our own marketing network, and in the United States through long-term agreements concluded with strategic partners. Through a variety of acquisitions Richter is directly present in the world's fastest growing pharmaceutical markets (China and the Latin American region).

The success of proprietary research and development aimed at CNS products is crucial for Richter Group's future and for strengthening its market positions. The second pillar of the specialty strategy is the expansion of the women's healthcare portfolio commercialised by the companies operating in the traditional markets, with the support of the newly established Western European marketing network. The Richter's ongoing objective is to achieve faster growth and to present higher rate of annual sales in its special niche of oral contraceptives and steroid-based women's healthcare products.
The third pillar of the Richter's "specialty" strategy is the development of biosimilar products and the high-value investment to create conditions for their manufacture.
Besides the above, Richter is striving to exploit the opportunities provided by marketing the portfolio of traditional products to a maximum extent.

In order to ensure and increase sales and profitability, another priority task for the future is the improvement of research and development and the Company's organizational functioning in all areas of operation on an ongoing basis.

6.

Report of the Statutory Auditor on the Company’s draft 2020 individual Annual Report prepared pursuant to the IFRS

Deloitte.

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Richter Gedeon Nyrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Richter Gedeon Nyrt. (the „Company") for the year 2020 which comprise the statement of financial position as at December 31, 2020 – which shows a total assets of mHUF 869.910 –, and the related statement of recognized income, statement of comprehensive income – which shows a total comprehensive income for the year of mHUF 89.789 –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Valuation of intangible assets	
(See note 13.2 to the financial statements for the details) As described in the notes to the financial statements, the Entity reported intangible assets in the amount of mHUF 97.567 as at 31 December 2020. As required by the applicable accounting standards, Management conducts regular impairment test to assess whether there is a need to record impairment with respect to the intangible assets based on the existing indicators. The identification of the triggering events and impairment tests are considered a key audit matter, as it requires application of professional judgement and use of subjective assumptions by management.	The relevant audit procedures performed by us included the following: - evaluating design and implementation of key controls related to identification of triggering events and impairment testing -benchmarking the key market related assumptions in the models against external sources and budgets approved by the Management, - involving our valuation experts where it was considered necessary to assist us in re-performing the calculation of the impairment test and independently assessing the appropriateness of the assumptions used, the methodologies and policies applied, - assessing the comparison of the carrying amount to the recoverable and impairment accounted for, - assessing the adequacy of the disclosures in the financial statements.

Other Matters

The financial statements of Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2020.

Other Information

Other information comprises the information included in the "Management report" and the business report of the Company for 2020, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled *"Opinion"* does not apply to the other information.

Our responsibility in connection with our audit of the financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the business report also include reviewing the business report to assess whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the business report complies with the requirements of Section 95/B (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the business report is consistent with the financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the business report.

In our opinion, the business report of the Company for 2020 corresponds to the financial statements of the Company for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement
We were appointed as the auditors of the Company by the General Meeting of Shareholders on April 28, 2020 and uninterrupted engagement has lasted since our appointment.

Consistence with the Additional Report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on March 9, 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

The engagement partner on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, March 10, 2021

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Horváth Tamás
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 003449

7.

Report of the Supervisory Board including the report of the Audit Board on the Company’s draft 2020 individual Annual Report prepared pursuant to the IFRS

The Supervisory Board of
Gedeon Richter Plc.

REPORT

to the 2021 Annual General Meeting of Gedeon Richter Plc.

Budapest, 10 March 2021

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 year 2020

As in previous years, in 2020 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. There was no change in the composition of the SB in 2020.
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 topics in its work programme.
It held nine meetings in the interval between the Annual General Meetings with a 96% rate of attendance. In consideration of the Covid-19 pandemic, meetings were held by telecommunications device (Microsoft Teams). 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 finance 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 2020

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 discussed the 2021 business plans of the parent company and of Richter Group (including the consolidated plans), the interim balance of 31.08.2020, the parent company's Financial Statements and the Consolidated Financial Statements for 2020, as well as the Report on Corporate Governance the Independent Auditor's Report, and the annual report of the Audit Board.

While discussing the quarterly reports, CEO Dr Gábor Orbán 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 quarterly reports and accounts were informative and of high a 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 2020 the SB discussed the following issues: API production in keeping with the strategic goals; Richter's share price compared to international industrial trends; Women's health and future outlook as a pillar of the speciality strategy; Richter's foundations in the light of corporate social responsibility; Proprietary research as a pillar of Richter's strategy; Risk management; Human resources management and the role of the HRD in implementing strategic pillars; Activity of the Audit Department; Corporate strategy and its integration into management practice.
Having listened to the presentations the SB discussed and evaluated the proposals in detail. Responses to the questions were acknowledged, the proposals were approved and the related resolutions were passed, taking into consideration the evaluations and supplementations. Some of the topics discussed will be presented in more detail in Section 1.2.1.
The Chairman of the SB attended the Board of Directors meetings; therefore the SB was always represented.

1. 1. 2. Presentation of the Audit Board's operation

Pursuant to Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Annual General Meeting elected the Audit Board (hereinafter: AB) consisting of three members from among the independent members of the SB.
The AB 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 AB 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 AB discussed and resolved on the following topics:

1. Discussion and approval of the Interim Balance Sheet and Auditor’s Report dated 31 August 2020.
2. Richter’s foundations in the light of corporate social responsibility.
3. Discussion and approval of the Report on Corporate Governance.
4. Discussion and approval of the 2020 financial statements, operating report, and the Independent Auditor's Report.
5. Discussion and approval of Richter Group's 2020 consolidated financial statements, operating report, and the Independent Auditor's Report.
6. Discussion and approval of the report to the SB on the AB's activities in 2020.

All AB meetings were attended by all AB 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 AB 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.
The Audit Board regularly monitored the auditor's independence in the course of the year. In this context, it approved on numerous occasions for the Company's Independent Auditor or the auditor belonging to the network of auditors of the Independent Auditor to provide services that are not qualified as prohibited services under Regulation 537/2014 of the EU and its Hungarian implementation.

1. 2. Brief evaluation of the Company’s performance in 2020 and feedback on the Board of Directors' Report to the Annual General Meeting

The Company's main objectives for 2020 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; 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 biggest impact on Richter’s operating environment in 2020 was the outbreak of the COVID-19 pandemic.
In 2020 major changes took place including but not limited to the following areas:
In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at the end of 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing these separate financial statements, to date there has been no discernible impact on the Company’s sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.
In February 2020, Richter announced that the European Medicines Agency (EMA) had accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol and drospirenone. Richter bought the new contraceptive

developed by Mithra in September 2018. In December 2020 Richter and Mithra's subsidiary, Estetra S.A, signed a license and supply agreement for the commercialization of the product by Richter in key markets in Latin America, thereby expanding the partnership that had so far included sales in Europe and Russia.

In March 2020 Richter signed an exclusive license and supply agreement with WhanIn Pharm. Co. Ltd. for the commercialisation of cariprazine in South Korea. The agreement includes entitlement to milestone income.

In March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of the European Medicines Agency (EMA) started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking Esmya. PRAC recommended suspension of ulipristal acetate for uterine fibroids during the ongoing review, and then at the end of the proceeding in September 2020 it recommended a ban on sales of the product. In November 2020, agreeing with PRAC's findings but weighing risk-benefit ratios, CHMP recommended that the product should remain available for menopausal women who cannot be treated surgically (or for whom surgery has been unsuccessful). In January 2021 the European Commission approved CHMP's recommendation. The summary of product characteristics and the patient information leaflet of ulipristal acetate 5 mg, as well as information brochures and cards for patients designed for physicians and patients were supplemented in accordance with the authority's decisions.

In March 2020 Richter and Myovant Sciences GmbH signed an exclusive license agreement for Richter to commercialize relugolix combination tablet (relugolix, estradiol, and norethindrone acetate) for uterine fibroids and endometriosis in specific geographical areas.

In April 2020 Richter signed an asset purchase agreement with Mycenax Biotech Inc. in respect of biosimilar tocilizumab for the treatment of rheumatoid arthritis, granting Richter worldwide right of development, production and commercialisation. In October 2020 Richter singed a license agreement with Mochida Pharm.Co. about transferring the rights related to the product in respect of Japan.

In April 2020, Richter-Helm Biologics entered into an agreement with US based INOVIO to expand its manufacturing partnership for the manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

In December 2020 the Company announced the conclusion of an asset purchase agreement with Janssen Pharmaceutica NV (a J&J subsidiary) in respect of Janssen's Evra transdermal contraceptive patch for outside-US markets.

In June 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held by the Hungarian National Asset Management Inc. (HNMA Inc.) - to the property of Tihanyi Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 15.25%, simultaneously, the influence of Tihanyi Foundation increased to 10%.

In August 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares, owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation), to the property of MUC Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 5.25%, simultaneously, the influence of MUC Foundation increased to 10%.

In the course of 2020 Richter further expanded its international business through capital increase in its manufacturing companies and through continuing with its capital expenditure projects in progress (with special regard to the Russian subsidiary).

The Company's earnings for 2020:
Net income from sales totalled HUF 412,974 million in 2020, a HUF 46,450 million, or 12.7%, increase over the 2020 figure.
Domestic sales amounted to HUF 40,971 million, 3.2% higher year-on-year, and international sales were HUF 372,003 million, 13.8% above the reference year.
Among the specialty products, cariprazine (a CNS drug) performed outstandingly. In the USA Vraylar's royalty income, together with the related milestone income, greatly contributed to the annual income realised in the reported year. It is also to be noted that in Russia, Reagila was added to the subsidised list, and our partners started marketing the product in several countries. By the end of 2020 cariprazine was available in 38 countries worldwide.
The 2020 income from our priority strategic branch, women's health, increased in all of our priority markets except for the EU12 and Latin America; the increase was particularly strong in Russia, China and the Other Countries segment. This, despite a drop in Esmya and Bemfola sales. In Esmya's case, the decline was due to the suspension in the wake of PRAC's review, and Bemfola was hit hard by the closure of fertility centres due to the pandemic.
Sales of teriparatide (Terrosa), the biosimilar portfolio's product on the market are ongoing in the EU and Japan with rising income.
In the Hungarian market Richter's overall market share is 4.6%, and the Company is second in the prescription drugs market with a 7.3% share. Sales income from the European Union (excepting Hungary) was HUF 118,231 million, up by 9.6%. In the EU12 region growth in the Polish and Romanian markets should be mentioned (Groprinosin and oral contraceptives). Income from sales in the EU15 markets also rose significantly, contributed primarily by sales in Spain, Belgium and Portugal (oral contraceptives, Terrosa, and Bemfola). Income from the CIS region was HUF 110,590 million, approximately the same as in the reference year. In Russia, sales denominated in forint dropped somewhat (as the rouble to the forint rate weakened by 5.3% in 2020). Volatility of the market environment was exacerbated by uneven sales because of the pandemic, the regulatory review of the prices of products on the vital medicines list, and the introduction of serialisation also had negative impacts. Conversely, a 4% price increase of the products had a positive effect. Income rose also in Ukraine and the Other CIS Republics (Groprinosin and oral contraceptives). The USA has become Richter's market with the biggest turnover contributing HUF 101,450 million to sales and with a growth of 49.4%. Besides Vraylar, Plan B products and certain steroid APIs achieved a sales increase. Sales income from China slipped significantly (by 43.3%), predominantly because Cavinton was scrapped from the subsidies list. The drop was partially offset by rising sales of women's health products. In Latin America Richter achieved a 35.4% increase in income (rising oral contraceptives sales and dropping Esmya and Plan B contraceptives sales). The positive achievement of income from the Other Countries segment (38.6% increase) was mainly contributed by oral contraceptives, teriparatide and Bemfola sales.
The gross margin was positively influenced by U.S. Vraylar sales-related royalty, an overall favourable exchange rate environment and increasing sales of high-margin oral contraceptives, while the effect of lagging sales on some branded generic and

traditional products, the suspension of Esmya, steeply rising wages in Central and Eastern Europe and the price erosion experienced in certain markets was negative.
The rate of sales and marketing expenses to income dropped considerably, one of the reasons being the dynamic rise in sales income achieved in the reported period. The decrease in costs was mainly attributed to the fact that the limitations introduced because of the pandemic greatly restricted promotional activities (mainly in the EU15, Russia and China).
Administrative and general expenses decreased, and there was barely any change in the rate of cost of R&D to income.
The balance of Other income and expenses increased from HUF 12,627 million expenses in the reference year to HUF 14,183 million expenses in 2020. A single milestone income of HUF 900 million was realised in the reported period mainly in relation to cariprazine and tocilizumab; the same amount in the reference year was HUF 5,717 million. Impairment reported at HUF 4,477 million in total deteriorated the balance. Claw-back amounted to HUF 5,357 million in payments obligation.
Operating profit was HUF 100,207 million compared to HUF 59,955 million in the reference year. Operating margin grew significantly, to 20.3%.
Net financial income/loss was HUF 1,484 million in loss in 2020 compared to a net financial loss of HUF 2,930 million recorded in 2019. The unrealized financial item was largely affected by the HUF 205 million aggregate impact of Forex reassessments; the balance worsened significantly after HUF 2,932 million improvement in 2019.
Taxes on income (including business tax and innovation contribution) amounted to HUF 5,506 million.
The 2020 profit before tax amounted to HUF 98,723 million after HUF 57,025 million in 2019.
The Company's after-tax profit for 2020 was HUF 93,217 million as opposed to HUF 50,400 million in 2019.
The above statements are supported with detailed information by the Report of the Board of Directors and the Independent 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 2020 highlighting some of the key issues addressed by the Supervisory Board in the course of the year

Richter’s foundations in the light of corporate social responsibility
Richter has embraced social responsibility of old; today, as an independent company with its headquarters in Hungary, it continues to be committed to globally serve the improvement of health and quality of life, and to be an outstanding actor in the life of society. Through its social programme it supports community goals and the training of professionals and future professionals required for continued research, development and innovation. Richter extends support primarily to non-governmental organisations of good standing having the requisite documents, and whose goals set out in the charter of foundation are acceptable for Richter. The company focuses its social engagement to areas that fall in line with its scope of business. Richter Group considers its duty to support the region’s health care, institutions and education and training including, in particular, the promotion of science, engineering and technology education. Richter is the sole founder of seven, and a co-founder of another eleven foundations. It is the sole founder of the Gedeon Richter Foundation for Hungarian

Healthcare in the field of health; Richter Gedeon Talentum Foundation, Gedeon Richter Plc. Centenary Foundation, and Gedeon Richter Foundation for Hungarian Chemistry Education in the field of education; the Richter Welfare Foundation in the field of employees' welfare; and the Dr. Edit Varga Memorial Foundation, and the Lajos Pillich Memorial Foundation. It is a co-founder of the Bugát-Richter Natural Sciences Foundation, the Hungarian Foundation for Education in Natural Sciences (Teacher Rácz Life Achievement Award), and the Lajos Kisfaludy Foundation, just to mention a few. In addition, Richter also supports non-governmental organisations and other foundations. In terms of distribution of support, 61% is related to health care, 22% to education and training, 14% to social welfare, and 3% to other areas.

Risk management

Richter is committed to create value in the long term for its partners, investors, employees and society as a whole. The methodology of Richter's risk management system is based on international standards and industry best practices. The Company is striving to identify, understand and assess risks in a timely fashion, and to take effective steps in response that are necessary for stable and sustainable operation and for the implementation of corporate strategy. Plotting out the Company's risks and risk management for 2020 revealed that similarly to 2019, risks should be classified into three main categories (strategic risks, pharmaceutical industry related operational and compliance risks, and financial risks). The operational risks related to the Covid-19 pandemic comprehensively affecting the Company directly or indirectly is a major potential risk; exposure was measures through changes in Richter's contribution to the Group's income and operating profit. Particular high risks include cariprazine's outstanding contribution the company's sales return and profits, higher risks of proprietary CNS research entering into more advanced phases, development and licensing of women's health and biosimilar specialty products, maintenance of the sales of branded generic products, protecting sales of traditional products, hiring qualified workforce, regulatory requirements, high demands by customers, contractual obligations, handling and collecting outstanding debts, cash management and financial investments, and Forex risk.

Human resource management

The labour market is characterised by a rapidly changing business environment exacerbated by the Covid-19 pandemic, major changes in core competences, emergence of new jobs and disappearance of some old ones. Richter's representative age pyramid clearly reflects the national trend of aging workforce; added to this is a narrowing talent pool, lessening quality of employees, and a strong competition for talent. Employees' assertiveness is increasing, new demands such as transparency, predictability, flexibility, work-life balance have emerged, and unions are getting stronger. Furthermore, loyalty has been diminishing, staff turnover has been increasing, and gig economy has appeared. These trends require of HR management to deploy appropriate training, recruitment, and outsourcing in order to secure the necessary skills and talent, to commit larger staff groups, and to handle succession planning as a priority. Remuneration systems and career pathways should be transparent; the goal is Employee Value Proposition. Flexible and alternative forms of work are expected, as are simpler work processes. Richter's stability is seen as strength in the labour market; typically, staff turnover and absence rates have diminished; the Covid strengthened loyalty. There are sufficient numbers of chemist, biologist and pharmacist applicants, and hiring is ongoing in the support areas (IT, engineer positions). On the other hand, finding candidates for physician and more complex jobs is a challenge, and there are precious few properly trained technicians. In the field of secondary level training in-house training has come into the forefront as companies are increasingly left to their own devices when it comes to securing specialist workforce. Richter is planning to create a dual training centre for the industry with support from ITM and in collaboration with several other companies. In management training a strong system is being developed with the incorporation of new elements. Digitalised training was favoured because of the pandemic, and LinkedIn's choice of training programmes was also made use of. The development and implementation of RG levels (the framework system of job levels in relation to each other) is one of the goals of the uniform, consistent and transparent HR system. Keeping up with new trends and employee demands (transparency, predictability, basic wage focus) the future vision is to have a uniform remuneration policy at the RG levels and should be based on annual benchmarks, with a dominance of pre-defined, predictable wage components, competitive basic wage, simple incentives, and performance-related bonus packages. Adequate headcount and cost control are important conditions of the organisation's efficiency. The goals also include the creation of a framework system for organisational development, launching Employee Central, creation of customer-centred and self-service processes to reduce bureaucracy and enable the employee as customer to handle affairs. HR digitalisation plays a crucial role and is applied across very broad areas, for instance in analysis and planning, and talent management. Tradition and innovation are key components of the key message of Employer branding: "Continuous development is our stability." The objective is to identify and articulate communicable strengths, and to communicate a strong employer brand in the media noise. Many new messages have also been communicated to Richter employees. In 2020 Richter's HR organisation won the prestigious HRKOMM Gold Award for its comprehensive employer branding strategy.

1. 2. 2. Summary and the Supervisory Board's recommendation to the Annual General Meeting

The documents supporting the 2020 Board of Directors Report to the Annual General Meeting and the Independent 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.

Net income from sales totalled HUF 412,974 million in 2020, a HUF 46,450 million or 12.7% increase over the 2019 figure.

Domestic sales amounted to HUF 40,971 million, 3.2% higher year-on-year, and international sales were HUF 372,003 million, 13.8% above the reference year.

Among the specialty products, Cariprazine (a CNS drug) performed outstandingly. In the USA Vraylar's royalty income, together with the related milestone income, greatly contributed to the annual income realised in the reported year. The 2020 income from our priority strategic branch, women's health, increased in all of our priority markets except for the EU12 and Latin America; the increase was particularly strong in Russia, China and the Other Countries segment. Sales of teriparatide (Terrosa), the biosimilar portfolio's product on the market are ongoing in the EU and Japan with rising income.

In the Hungarian market Richter's overall market share is 4.6%, and the Company is second in the prescription drugs market with a 7.3% share. In the EU12 region growth in the Polish and Romanian markets should be mentioned; the significant rise in income from sales in the EU15 markets was contributed primarily by sales in Spain, Belgium and Portugal In the CIS region, in Russia sales denominated in forint dropped somewhat. Income rose also in Ukraine and the Other CIS Republics. The United States has become Richter's market with the biggest turnover. Besides Vraylar, Plan B products and certain steroid APIs achieved a sales increase. Sales income from China slipped significantly, predominantly because Cavinton was scrapped from the subsidies list. The drop was partially offset by rising sales of women's health products. In Latin America sales income denominated in forint ascended, and the Other Countries segment also achieved positive income.

The gross margin was positively influenced by U.S. Vraylar sales-related royalty, an overall favourable exchange rate environment and increasing sales of high-margin oral contraceptives, while the effect of lagging sales on some branded generic and traditional products, the suspension of Esmya, steeply rising wages in Central and Eastern Europe and the price erosion experienced in certain markets was negative.

The rate of sales and marketing expenses to income dropped considerably. Administrative and general expenses decreased, and there was barely any change in the rate of cost of R&D to income.

The balance of Other income and expenses increased from HUF 12,627 million expenses in the reference year to HUF 14,183 million expenses in 2020.

Operating profit was HUF 100,207 million compared to HUF 59,955 million in the reference year. Operating margin grew significantly, to 20.3%.

Net financial income/loss was HUF 1,484 million in loss in 2020 compared to a net financial loss of HUF 2,930 million recorded in 2019.

Profit tax is HUF 5,506 million. The 2020 profit before tax amounted to HUF 98,723 million after HUF 57,025 million in 2019.

The Company's after-tax profit for 2020 was HUF 93,217 million as opposed to HUF 50,400 million in 2019.

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 2020 and the statements made in the Independent Auditor's Report. Accordingly, it proposes the Company's 2020 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 2020 Annual Report

2. 1. Proposal for the approval of Gedeon Richter Plc's Balance Sheet and after-tax profit for 2020

Based on the Company's audited Annual Financial Statement for 2020 submitted to the Annual General Meeting, the analysis and Auditor's Statement issued by the auditor Deloitte Auditing and Consulting Limited, and the SB's own analysis, the Supervisory Board proposes that the distinguished members of the Annual General Meeting approve the following:

- The Consolidated Annual Financial Statements for 2020 submitted to the AGM (with total assets and total liabilities in the Balance Sheet being equally HUF 869,910 million), duly audited in compliance with the International Accounting Standards.
- The after-tax profit specified in the audited Profit and Loss Statement for 2020 (before dividend payment) being HUF 93,217 million.

2. 2. Proposal for the approval of Gedeon Richter Plc's after-tax profit and payment of dividend for 2020:

The proposal made by the Board of Directors is approved and supported by the Supervisory Board.

Based on this, the Supervisory Board proposes that the distinguished members of the Annual General Meeting

- approve the establishment of 225% dividend on ordinary shares, and payment of HUF 225 per share in dividend as proposed;
- furthermore, approve the recognition of after-tax profit less the dividend paid as the company's balance sheet profit, and order such profit to be allocated to retained earnings in accordance with the applicable statutory provisions.

Budapest, 10 March 2021

Dr. Attila Chikán
Chairman of the Supervisory Board

8.

Approval of the Company's draft 2020 individual Annual Report pursuant to the IFRS

Proposal to Item No.:8
on the Agenda of the AGM

Resolution of the Board of Directors No.: 31/2021

The Board of Directors proposes to the AGM to approve the Company’s draft 2020 individual annual report pursuant to the IFRS.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

9.

Resolution on the determination and allocation of the after-tax profit and the rate of dividends

<u>Proposal to Item No.:9</u>
<u>on the Agenda of the AGM</u>

<u>Resolution of the Board of Directors No.: 32/2021</u>

The Board of Directors proposes to the AGM to state the rate of dividend relating to common shares payable after the result of business year 2020 in **40%** of the consolidated after tax profit attributable to the Owners of the parent company, which is **HUF 225, i.e. two hundred twenty-five Hungarian Forints** per share.

The Board of Directors has approved the resolution beside one abstention (Dr. Ilona Hardy Dr. Pintérné) with the majority of the votes.

10.

Corporate Governance Report

DRAFT !!!

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, the stock market regulations currently in force, and with Gedeon Richter Plc's characteristics arising from its line of industry and its structure. The Company reviews its corporate governance principles from time to time to keep abreast with continuously evolving international practice. In this aspect, the Company is also considering ESG requirements, which exercise influence on the judgement of corporate governance systems by capital market participants.

General Meeting, rules for the conduct of the 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:

- the Board of Directors' report on the Company's consolidated annual report for the previous business year pursuant to the International Financial Reporting Standards;
- the Supervisory Board's report on the Company's consolidated annual report for the previous business year pursuant to the International Financial Reporting Standards;
- the Auditor's report on the Company's consolidated annual report for the previous business year pursuant to the International Financial Reporting Standards;
- Approval of the Company's consolidated annual report for the previous business year pursuant to the International Financial Reporting Standards;
- the Board of Directors' report on the Company's individual annual report for the previous business year; on the management, the financial situation and the business policy of the Company;

[1] The report concerns the 2020 business year.

törölt: 19

- the Supervisory Board's report on the Company's individual annual report for the previous business year, including also the recommendation regarding the appropriation of after-tax profits;
- the Auditor's report on the Company's individual annual report prepared for the previous business year;
- Approval of the Company's individual annual report for the previous business year, including the resolution on the appropriation of the after-tax profits;
- 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;
- Resolution on the remuneration of elected officers.

The Annual General Meeting shall be convened by the Board of Directors unless otherwise provided by the Civil Code[2]. The person or organ convoking the General Meeting shall determine its time, venue, and agenda.

The convening of the General Meeting shall be published on the Company's homepage at least 30 days prior to the commencement date thereof pursuant to the provisions applicable to the Company's announcements. The Company may notify shareholders regarding the convocation of the General Meeting in an electronic format, if shareholders have so requested.

The Board of Directors shall have the right to call an extraordinary General Meeting at its discretion. The Board of Directors shall also call an extraordinary General Meeting if persons authorized by the Civil Code or these Statutes request from the Board of Directors that a General Meeting be held. If shareholders holding at least one percent of the votes request for the convening of a General Meeting, stipulating its reason and purpose, such a General Meeting shall be convened.

The announcement (invitation) convening the General Meeting shall indicate the name and seat of the Company, the venue, date, time, agenda and method of holding of the General Meeting, the conditions placed on the exercise of voting rights as specified in these Statutes as well as the time and venue of the reconvened General Meeting. No more than twenty-one days, but at least ten days shall pass between the General Meeting of an insufficient quorum and the reconvened General Meeting. The announcement convening the General Meeting shall contain the information that a shareholder or nominee may participate on the General Meeting if registered in the Share Register at least two working days prior to the beginning date of the General Meeting; and the requirements laid down in these Statutes of exercising the right to supplement the agenda of the General Meeting, as well as the date, place and way of accessing the full and original text of the proposals on the agenda and of the proposed resolutions (including the website of the Company).

The Company shall publish the key data of the Company's draft consolidated annual report for the previous business year pursuant to International Financial Reporting Standards and its draft individual annual report 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

[2] Act V of 2013 on the Civil Code

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.

Items not listed in the published agenda may only be discussed and valid resolutions concerning these items shall only be passed if all of the shareholders are present at the General Meeting and they give their unanimous consent to the addition of such items to the agenda.

With the exception of cases where the presence of a larger number of shareholders is required in order to constitute a quorum, a quorum exists if shareholders, personally or through their representatives, representing over half of the votes embodied by the voting shares are present at the General Meeting and have duly evidenced their shareholder or representative status. The General Meeting may be suspended once. If the General Meeting is suspended, it shall be continued within thirty days. Existence of the quorum shall be examined at each decision. With respect to the quorum, shareholders or representatives of a shareholders who submit a "yes", "no", or "abstention" vote shall be deemed as the ones being present.

If the General Meeting has no quorum, the General Meeting shall be reconvened. With the exception of cases where under the given circumstances the presence of a larger number of shareholders is required in order to constitute a quorum, the reconvened General Meeting shall have a quorum for the purpose of considering items on the agenda of the original General Meeting if the shareholders representing more than 20% of the votes relating to the voting shares issued by the Company are presented personally or via proxy at the reconvened General Meeting and their shareholding or representation right has been duly evidenced.

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. The representative may be also other person than shareholder. 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 ultimate 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 ten members. The present term of mandate of the members of the Board of Directors is stated in the declaration attached to this report as Annex 1.
To members of the Board of Directors as executive officers the Company applies the same criteria of independence as those stated in the Civil Code[3] related to the members of the Supervisory Board. With respect to these criteria the definitive majority of the members of the Board of Directors, 70% of them (seven members out of the ten members of the Board of Directors) are independent.
The Company's Chief Executive Officer is a member of the Board of Directors. Separation of the office of Chairman of the Board of Directors and the Chief Executive Officer is a key aspect of corporate governance. Two different people holding the tasks of the Chief Executive Officer and of the Chairman of the Board of Directors.
The Board of Directors elects its Chairman and - if the members find it necessary - Deputy Chairman from among its members. The Board of Directors may withdraw this mandate at any time. If for any reason, the Chairman or the Deputy Chairman cease to be members of the Board of Directors, their mandate as Chairman or Deputy Chairman shall be terminated.

Chairman of the Board of Directors: Erik Bogsch (dependent)
Members of the Board of Directors:
Dr. György Bagdy (independent)
Dr. Péter Cserháti (independent) /from April 28, 2020/

[3] In case of those public companies limited by shares which do not have one tier system (Board), but where operate a two tier system - there is an independent Supervisory Board beside the Board of Directors - the Civil Code do not state criteria of independence to the members of the Board of Directors.

törölt: /from 24 April, 2019/

Dr. Gábor Gulácsi (dependent)
Dr. Ilona Hardy (independent)
Csaba Lantos (independent)
Gábor Orbán (dependent)
Dr. Anett Pandurics (independent)
Bálint Szécsényi (independent)
Prof. Dr. E. Szilveszter Vizi (independent)
Dr. Kriszta Zolnay (independent) /until April 28, 2020/

The introduction of the members of the Board of Directors 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.

In 2020 the Board of Directors held ten (10) meetings with an average attendance rate of 99 %.

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.

The honoraria of the members of the Board of Directors are determined by the Annual General Meeting. Pursuant to the resolution of the Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital concentrating organisations during the state of emergency* - acting in competence of the Annual General Meeting of 28 April, 2020 the remuneration of the Chairman of the Board of Directors was set at HUF 708,975.00 per month and that of the members of the Board of Directors at HUF 589,950.00 per month, for year 2020 effective as of January 1, 2020.

törölt: János Csák (independent) /until August 31, 2019/¶
törölt: Dr. Norbert Szivek (independent) /until 24 April, 2019/¶
törölt: 19
törölt: 91.36
törölt: 24
törölt: 19
törölt: 685,000
törölt: 70
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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 Board members. The 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:	Prof. Dr. E. Szilveszter Vizi (independent)
Members:	Dr. Ilona Hardy (independent) Dr. György Bagdy (independent)

The introduction of each members of the Subcommittee is available on the Company's website in framework of the introduction of the members of the Board of Directors. The term of mandate of Subcommittee members' equals with their term of mandate as members 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 2020 business year the Corporate Governance and Nomination Subcommittee held two (2) meeting with an average attendance rate of 100%.

In the 2020 business year the Corporate Governance and Nomination Subcommittee discussed the below subjects:
- audition of the candidate to the Board of Directors;
- assessment of the activity of the Board of Directors;

törölt: János Csák (independent) /until 31 August, 2019/
törölt: /from 4 November, 2019/
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- Corporate Governance Report for year 2019

törölt: 8

Members of the Corporate Governance and Nomination Subcommittee with respect to their position and activity in the Subcommittee did not get separate remuneration over the honoraria they were entitled to as members of the Board of Directors.

Remuneration Subcommittee

The Remuneration Subcommittee consists of three members. The majority of the members of the Subcommittee are independent, not employed by the Company.

Chairman: Csaba Lantos (independent)

Members:

Dr. Gábor Gulácsi (dependent)
Dr. Anett Pandurics (independent)

The introduction of the members of the Subcommittee is available on the Company's website in framework of the introduction of the members of the Board of Directors. The term of mandate of Subcommittee members' equals with their term of mandate as members of the Board of Directors.

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 2020 business year the Remuneration Subcommittee held two (2) meetings with an average attendance rate of 100%.

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törölt: three
törölt: 3

In the 2020 business year the Remuneration Subcommittee discussed the below subjects:
- remuneration of members of the Board of Directors for year 2020;
- remuneration of members of the Supervisory Board for year 2020;
- reviewing the Chief Executive Officer's basic wage and other remuneration.

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törölt: 19
törölt: 19

Members of the Remuneration Subcommittee with respect to their position and activity in the Subcommittee did not get separate remuneration over the honoraria they were entitled to as members of the Board of Directors.

Division of responsibilities and duties between the Executive Board and the Board of Directors

The Executive Board is responsible for management and control of the Company's operative activities. The chairman of the Executive Board is the Chief Executive Officer 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 Chief Executive Officer for a period determined by the Board of Directors. Except for the rights assigned to the General Meeting, the employer's rights over the Chief Executive Officer shall be exercised by the Board of Directors.

The Executive Board 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 Board the final decision shall be made by the Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer may exercise and delegate employer's rights in respect of employees and persons having other kind of legal relation with the Company within the scope of and in such manner as defined in the Company's Rules of Organization and Procedure.

The Chief Executive Officer makes decisions regarding the evaluation and remuneration of the work of the Executive Board 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 Chief Executive Officer in the context of the annual plan and the bonus system and on the basis of the proposal of the Remuneration Subcommittee.

Within the frameworks of the organisational division of labour, from November 1, 2017, the Company established the role of the Executive Chairman having a focus on the commercial activities as well as international, public and government relations. His main task is to continue implementing the specialty pharma strategy by strengthening the recently established international sales network in Western Europe and overseas, while continuously broadening the high added value innovative product portfolio.

Members of the Executive Board:

Gábor Orbán - Chief Executive Officer

Erik Bogsch	- Executive Director responsible for Commercial, for Legal and Global Operations, for PR and Government Relations
Dr. Gábor Gulácsi	- Deputy Managing Director of Finance
Tibor Horváth	- Commercial Director
Dr. István Greiner	- Director of Research
Dr. György Thaler	- Director of Development

The introduction of the members of the Executive Board is available on the Company's website at www.richter.hu.

Employees in leadership position directly supporting the activities of the Executive Board:

Katalin Erdei	- Director of Human Resources
Dr. Imre Péter	- Director of Quality Management
Attila Szénási	- Director of Pharmaceutical manufacturing
Tamás Szolyák	- Director, Regulatory and Patient Safety Matters

The introduction of employees in leadership position directly supporting the activities of the Executive Board is available in the Company's annual report.

Conflict of interest and independence

In order to avoid conflict of interest of members of the Board of Directors and of the Executive Board in their relations to third parties the employment contract of members of the Executive Board 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.
In case of those public companies limited by shares which do not have one tier system (Board), but where operate a two tier system - there is an independent Supervisory Board beside the Board of Directors - the Civil Code do not state criteria of independence to the members of the Board of Directors. Apart from this the Company applies the criteria of independence concerning Supervisory Board members stated by the Civil Code in respect of both 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. The present term of mandate of the members of the Supervisory Board is stated in the declaration attached to this report as Annex 1.

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. The criteria of independence stated in the Civil Code shall be applied to the members of the Company's Supervisory Board. With respect to these criteria the principle of majority of the independent members are fully enforced in respect of the composition of the Supervisory Board. Two of its members represent the employees and the remaining three members are independent (external) persons.

Chairman of the Supervisory Board:	Dr. Attila Chikán (independent)
Members of the Supervisory Board:	Prof. Dr. Jonathán Róbert Bedros (independent) Dr. Zsolt Harmath (independent) Dr. Éva Kozsda Kovácsné (employees' representative) (dependent) Mrs. Klára Csikós Kovácsné (employees' representative) (dependent)

The introduction of the members of the Supervisory Board 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 2020 business year the Supervisory Board held nine (9) meetings with an average attendance rate of 93.33 %.

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.

The honoraria of the members of the Supervisory Board are determined by the Annual General Meeting. Pursuant to the resolution of the Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital concentrating organisations during the state of emergency* - acting in competence of the

törölt: 19

törölt: eight

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törölt: 97.5

törölt: At

Annual General Meeting of April 28, 2020 the remuneration of the Chairman of the Supervisory Board was set at HUF 589,950,00 per month and that of the members of the Supervisory Board at HUF 424,350,00 per month, for year 2020 effective as of January 1, 2020.

törölt: 24
törölt: 19
törölt: 70
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törölt: 10
törölt: 000
törölt: 19
törölt: 19

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. The Chairman of the Audit Board is appointed by the Supervisory Board. The audit board members as a whole shall have competence relevant to the sector in which the Company is operating. 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 Dr. Zsolt Harmath

The introduction of the professional background of members of the Audit Board is available on the Company's website at www.richter.hu.

The Audit Board is responsible for the supervision of the Company's internal accounting rules. Accordingly, the scope of competences and tasks of the Audit Board includes the following:

- opinion on the consolidated annual report for the previous year pursuant to the IFRS;
- opinion on the individual annual report for the previous business year;
- monitoring the statutory audit of the consolidated and the individual annual report; taking into account any findings and conclusions by the authority in charge of the public oversight of auditors as provided for in Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as "Auditors Act") made during the quality assurance review provided for in the Auditors Act**;**
- recommendation regarding the person and remuneration of the auditor;
- preparation of the agreement to be concluded with the auditor;
- observing the enforcement of the professional, conflict of interest and independency requirements applicable to auditors - with special regard to compliance with the requirements in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, undertaking the duties in connection with the co-operation with the auditor, monitoring other services provided by the auditor - or if the auditor is belongs to a network, members of such network - to the Company or the companies controlled by the Company besides the auditing of the consolidated and individual annual reports, and in case of need, recommendations to the Supervisory Board regarding the arrangements to be carried out;
- monitoring of the operation of the financial accounting system and submitting recommendations regarding the necessary arrangements where deemed necessary;
- assistance with the work of the Supervisory Board in the interest of the appropriate supervision of the financial accounting system as well as

- monitoring the effectiveness of the company's internal control and risk management systems and submitting recommendations where deemed necessary.

The Audit Board acts and makes decisions as a body. The Board keeps minutes of its meetings and its decisions are recorded.

In the 2020 business year the Audit Board held six (6) meetings with an average attendance rate of 83.33%.

In the 2020 business year the Audit Board discussed the below subjects:
- proposal to the election of the statutory auditor;
- discussion of the contract of the statutory auditor;
- examining of individual annual report and consolidated annual report and the business reports;
- reviewing the auditor's reports;
- examining of the Corporate Governance Report for year 2019;
- determination of the annual report of the Audit Board;
- the Company's interim financial statement regarding the accounting date of August 31, 2020;
- services not related to auditing (falling out of the scope of auditing the consolidated and individual report) rendered by the business entity acting as statutory auditor and/or entities connecting to the statutory auditor's net.

In 2020 the Board of Directors did not passed such resolution which was against the proposal of Audit Board.

Members of the Audit Board with respect to their position and activity in the Audit Board did not get separate remuneration over the honoraria they were entitled to as members of the Supervisory Board.

Introduction to the diversity policy applied to the members of governing bodies

In its operation Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success, and believes that the Company's success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual's personal traits important. It is task for all executives to set an example in the area of handling diversity, tolerance, inclusion and diversity management, furthermore to encourage and within its possibilities to promote the practical expression of the Company's commitment to diversity.
Diversity is a tenet at all levels of Richter's operation. Thus when drafting internal regulations the Company strives to shape the corporate environment to meet this principle.
To implement the Company's views in practice, on 28 May 2018 the Board of Directors adopted the Diversity Policy regarding the Company's governing bodies (Board of Directors, Supervisory Board and Executive Board), which was announced on 21 June 2018. The Diversity Policy accepted for a five-year period, whose implementation is closely tracked by the Board, determines the diversity aspects and objectives applicable for the Company's business management, executive and supervisory bodies.

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törölt: four
törölt: 4
törölt: 100
törölt: In 2019 business year the Audit Board held consultation and adopted resolution without session furthermore at hat (6) occasions.
törölt: 19
törölt: 18
törölt: 19
törölt: 19

In the spirit of diversity, when composing the Company's governing bodies priority will be given to knowledge related to Richter's main business, expertise in the economic, social and environmental contexts of the Company's operation, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the governing bodies have members with qualification and experience in the pharmaceutical industry as well as finance and economics; Richter, therefore, makes an effort to have members with appropriately diverse professional backgrounds serving on its governing boards. The goals formulated in the Policy in conjunction with the governing bodies envision that both sexes should be represented among the members to the extent that the aggregate rate of women should be at least 30%, the age distribution of members should be balanced, and members should also include gifted under 50 year aged persons with appropriate competences.
The Company pays attention to the considerations and goals determined in the Policy when nominating members to the Board of Directors, the Supervisory Board and the Audit Board, and when selecting members and planning potential successors to serve on the Executive Board. As a public limited company, Richter has no power other than nominating members on the Company's boards; their election is the exclusive competence of the AGM.
As a result of the resolutions regarding the composition of the boards approved by the Board of Directors acting in competence of the AGM in 2020 the age distribution of the Board of Directors definitively did not changed. The participation rate of woman, due to the expiration of Dr. Kriszta Zolnay's membership in the Board of Directors, has changed to 20% among the members of the Board of Directors.
In the Supervisory Board the 30% as a rate of women was provided also without any change in 2020.
The Company considers it important to regularly inform the shareholders about its Diversity Policy in the Annual Report and the Report on Corporate Governance including changes in, and achievements through, the Policy.

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törölt: However due to Mr. János Csák's resignation from his membership in the Board of Directors with effect from 31 August, 2019, t

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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.
- Health related risks of the Company's employees as well as the mitigation of negative impacts on the business in general and on the supply chain in particular of the COVID-19 pandemic are managed by a Pandemic Response Team specifically set up for this purpose;
- Management of strategic risks is the duty of directors responsible for execution of the certain strategic points.
- Total Quality Management and Regulatory direction handling the Company's GxP compliance risks extensively. Compliance risks in connection with sales also handled through a centralized organizational unit responsible for legal direction.
- The various functional areas are responsible for operating risk management in their particular areas. 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 main elements of the Company's audit system are the audit by department leaders, appliance of process integrated controls, the activity of internal audit made to be independent and of external auditors.
- The Audit Department executing the internal audit made to be independent 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 examining 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.

In 2020 a new risk has arisen:
- Employments' health risk and adverse effects of the COVID-19 epidemic on Company operations and the supply chain

In 2020 from our risks the following risks have emerged:
- Outstanding contribution of Cariprazine to the turnover and profits of the Company;
- Licencing and developing WHC specialty products together with partners.

While the risks below have decreased:
- Difficulties in accessing qualified staff in the Central and East European companies of the Group;
- Lower output and higher costs associated with the implementation of EU serialization and the introduction of Russian serialization.

törölt: 19

törölt: - Carrying original CNS research projects further into clinical trials stages¶
- Protection of our classic product portfolio amidst shrinking market opportunities¶
- Tightening in drug price subsidy in the CEE region, Russia and China¶
- claw-back taxes in European countries

törölt: - Customer credit risk¶
- Taxation risks¶

Statutory Auditor

On 28 April, 2020 the Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency* - acting in the competence of the General Meeting has elected **Deloitte Auditing and Consulting Ltd**. as the Company's statutory auditor for a period of three years expiring on April 30, 2023, but not later than the approval of the 2022 consolidated report.

In 2020 Gedeon Richter Plc.'s statutory Auditor was Deloitte Auditing and Consulting Ltd. The individual auditor in charge appointed by the Auditor company, as responsible for fulfilment of tasks of the Auditor was Mr. Tamás Horváth, member of the Hungarian Chamber of the Auditors.

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törölt: PricewaterhouseCoopers Könyvvizsgáló Kft.

törölt: Árpád Balázs

In accordance with its contract, Deloitte Auditing and Consulting Ltd. audits the Company's individual Annual Report prepared in accordance with the International Financial Reporting Standards, and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS, earlier IAS).

törölt: PricewaterhouseCoopers Könyvvizsgáló Kft

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, 2020 the remuneration of the Statutory Auditor for the 2020 year is HUF 27,000,000.00 + VAT, which includes the fee for the auditing of the 2020 consolidated annual report under IFRS, the fee for examining the consonance between the consolidated annual report and consolidated business report for 2020, the fee for the auditing of the 2020 non-consolidated annual report, the fee for examining the consonance between the non-consolidated annual report and business report for 2020, 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, 2020.

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törölt: 22,000,000

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With the approval of the General Meeting, the business organization appointed as Auditor has audited the Company's individual financial statements and also audited the Company's consolidated financial statements prepared according to the International Financial Reporting Standards.

The statutory auditor did not perform any activity that might have compromised its independence.

The Audit Board decides on all non-auditing services provided to the statutory auditor and/or to members belonging to the statutory auditor's net and the related contract may only be concluded with the approval of the Audit Board, after the resolution in subject has been passed.

Shareholder relations

The formal contacts with shareholders include the annual reports and financial statements, the quarterly reports published through the Budapest Stock Exchange and other announcements. Shareholders receive additional information on the Company's business, its results and strategy at the Annual General Meeting. The Company organizes roadshows to inform the investor community in the United States, the United Kingdom and in Europe. Consequent to the restrictive measures implemented by the Hungarian Government in response to COVID-19 pandemic such roadshows, investor meetings and conferences were organised using virtual channels following March 2020. 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 coordinating the above activities. The Share Registration Department focuses primarily on small shareholder relations. As an additional information channel the Company's website (www.richter.hu) includes a specific page which addresses the needs of investor and financial analyst community.

The Company's disclosure practices

In accordance with the statutory provisions in force and the General Terms of Service 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 (https://kozzetetelek.mnb.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 contacts the shareholder community on a regular basis.

törölt: www.kozzetetelek.hu

törölt: keeps in touch with investors

The Company does not determine own publication policy. The Company in connection with its publications follows the rules of the Statutes, the effective legal regulations, and the regarding regulations of the Budapest Stock Exchange and the National Bank of Hungary.

The Company' policy regarding insider trading

The persons deemed to be insider regarding the Company shall be defined based upon the rules of 596/2014/EU Regulation. The Company has developed regulations on the prohibition of insider trading as provided by law.

The Company does not determine own policy regarding insider trading. The 596/2014/EU Regulation and other regarding legal rules are applicable to the trading of persons deemed to be insider at the Company. The Company's internal regulations - which covering also regulations related to prohibiting of insider trading - states prohibitions related to trading of insider person in compliance with the legal regulations.

The persons deemed to be insider regarding the Company have individual responsibility to comply with the rules related and connected to prohibition of insider trading and with the Company's internal regulations covering previous subjects.

Code of Ethics, Compliance

In the course of 2016, the Company reviewed and amended the Code of Ethics of Gedeon Richter Plc. and its affiliates ("RICHTER") as an elemental part of its Global Compliance Program. The Code of Ethics provides requirements 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. In the course of 2017, the renewed Code of Ethics and the Manuals of the Global Compliance Program were localized and implemented in the European affiliates of the Company, where the employees received comprehensive education of their contents.

In 2018, the Global Compliance Program was started to be extended to affiliates and representative offices in Latin American countries and in the CIS member states. In 2019, the Spanish and Russian versions of the compliance materials were completed, with the help of which the local operating procedures were updated, and the employees of the affiliates could be trained.

In 2019, the Company continued to hold Global Compliance Program-related training, and as a result, compliance awareness has gathered ground. This is also shown in the increase of incidents reported through the Compliance Hotline on many different topics, including reports related to conflicts of interest, which resulted in the decision to create an individual Conflict of Interest Policy, which entered into force in HY1 2020. The aim of the policy was to draw the attention of employees to potential conflicts of interests, to share guidance on how to avoid them and to handle already existing ones.

The continuous education of employees in compliance related topics is critical for the Company, therefore several trainings have also been held in 2020. Together with the Conflict of Interest Policy, the employees received training on the topics of Code of Ethics and the Compliance Hotline as well as training on the new Trade Secret Policy, which also entered into force in 2020.

The increase and strengthening of compliance awareness are not only important regarding our own employees, but also throughout our entire supply chain. Therefore, all our contracts signed with Third Parties contain anti-corruption clauses, which cover the content of the Anti-Corruption Manual, and which constitute the prerequisite of any contract.

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törölt: This phenomenon has also been reflected in an increase in the number of hotline cases of conflict of interest.¶
At the end of 2019, the Company initiated a review and update of the Compliance Handbook and the Code of Ethics, which is expected to be completed in the first half of 2020. The following factors justified the renewal of the Compliance Handbook:¶
- an increase in the number of hotline announcement related to conflicts of interest;¶
- implementations of new internal regulations;¶
- personal and organizational changes at the Company; and¶
- experiences gained from the everyday application of the manuals by the concerned departments.

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. Gedeon Richter Plc. has established various foundations to provide 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 "health profit" till the end of 2020 was HUF 403 million donated to 79 Hungarian 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", now comprising several initiatives, in 2010.
Every two years – the last time concerning the period of 2018-2019 – the Company issues a Sustainability Report, which describes the environmental and safety activity of Richter's manufacturing subsidiaries as well as their social responsibility.

törölt: 2019
törölt: 379
törölt: 75
törölt: 16
törölt: 17

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.

The Company finds it important to focus on environmental protection as a whole and on its particular areas. In order to protect environmental elements the Company takes care to identifying, assessing and reducing the environmental impact, and potential risks associated with its business, and also to the disposal and recovery of waste generated in accordance with the applicable requirements. In interest of reducing environmental impacts the Company
- constantly upgrades its production technologies and seeks to use the best available technology;
- modernizes the infrastructure for storage and supply of chemicals in order to reduce the risk of soil and groundwater contamination;
- continuously monitoring the condition of the neighboring groundwater and air, the quality of waste water emitted and the noise impact of the site.

törölt: soil

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 stakeholders in its regular Sustainability reports.

Budapest, April 15, 2021

törölt: 28 April, 2020

……………...……………………….

Prof. Dr. E. Szilveszter Vizi
Member of the Board of Directors,
Chairman of the Corporate Governance
and Nomination Subcommittee

……………………………………

Erik Bogsch
Chairman of the Board of Directors

Annex 1

Declaration from remuneration of members of the governing bodies

I./ Remuneration of the members of the Board of Directors and members of the Supervisory Board

Gedeon Richter Plc. provide information from the remuneration 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 2020 according to the followings:

Members of the Board of Directors

Name	Position	Term of the present mandate	Title of remuneration	Sum of remuneration	Total remuneration in 2020 /HUF/
Erik Bogsch	Board member, and Chairman of the Board of Directors	from April 28, 2020 for a period of 3 (three) years expiring on the AGM in 2023	honoraria	708,975 HUF/month	8,507,700
Dr. György Bagdy	Board member	from April 24, 2019 for a period of 3 (three) years expiring on the AGM in 2022	honoraria	589,950 HUF/month	7,079,400
Dr. Péter Cserháti	Board member	from April 28, 2020 for a period of 3 (three) years expiring on the AGM in 2023	honoraria	589,950 HUF/month	4,719,600
Dr. Gábor Gulácsi	Board member	From April 24, 2019 for a period of 3 (three) years expiring on the AGM in 2022	honoraria	589,950 HUF/month	7,079,400
Dr. Ilona Hardy	Board member	From April 28, 2020 for a period of 3 (three) years expiring on the AGM in 2023	honoraria	589,950 HUF/month	7,079,400
Csaba Lantos	Board member	From April 24, 2019 for a period of 3 (three) years expiring on the AGM in 2022	honoraria	589,950 HUF/month	7,079,400
Gábor Orbán	Board member	From April 28, 2020 for a period of 3 (three) years expiring on the AGM in 2023	honoraria	589,950 HUF/month	7,079,400
Dr. Anett Pandurics	Board member	From April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	589,950 HUF/month	7,079,400
Bálint Szécsényi	Board member	From April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	589,950 HUF/month	7,079,400
Prof. Dr. E. Szilveszter Vizi	Board member	From April 28, 2020 for a period of 3 (three) years expiring on the AGM in 2023	honoraria	589,950 HUF/month	7,079,400
Dr. Kriszta Zolnay	Board member	From April 26, 2017 for a period of 3 (three) years expiring on the AGM in 2020	honoraria	589,950 HUF/month	2,359,800

Members of the Supervisory Board

Name	Position	Term of the present mandate	Title of remuneration	Sum of remuneration	Total remuneration in 2020 /HUF/
Dr. Attila Chikán	Chairman of the Supervisory Board	from April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	589,950 HUF/month	7,079,400
Prof. Dr. Jonathán Róbert Bedros	Board member	from April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	424,350 HUF/month	5,092,200
Dr. Zsolt Harmath	Board member	from April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	424,350 HUF/month	5,092,200
Mrs. Klára Csikós Kovácsné	Board member	from April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	424,350 HUF/month	5,092,200
dr. Éva Kozsda Kovácsné	Board member	from April 25, 2018 for a period of 3 (three) years expiring on the AGM in 2021	honoraria	424,350 HUF/month	5,092,200

törölt: 19
törölt: 19
törölt: 26… 202017…for a period of 3 (three) years expiring ... [1]
törölt: 685,000
törölt: 8,220,000
törölt: 570,000
törölt: 4,560,000
törölt: ¶
János Csák¶ ... [2]
törölt: 570,000
törölt: 6,840,000
törölt: 26… 202017…for a period of 3 (three) years expiring ... [3]
törölt: 570,000
törölt: 6,840,000
törölt: 570,000
törölt: 6,840,000
törölt: 26… 202017…for a period of 3 (three) years expiring ... [4]
törölt: 570,000
törölt: 6,840,000
törölt: 570,000
törölt: 6,840,000
törölt: 570,000
törölt: 6,840,000
törölt: ¶
Dr. Norbert Szivek¶ ... [5]
törölt: 26… 202017…for a period of 3 (three) years expiring ... [6]
törölt: 570,000
törölt: 6,840,000
törölt: 570,000
törölt: 6,840,000
törölt: 19
törölt: 570,000
törölt: 6,840,000
törölt: 410,000
törölt: 4,920,000
törölt: 410,000
törölt: 4,920,000
törölt: 410,000
törölt: 4,920,000
törölt: 410,000
törölt: 4,920,000

Honoraria of the members of the Board of Directors for year 2020, effective as of January 1, 2020 was determined and approved in 2020 by the Company's Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency* - acting in the competence of the General Meeting in resolution No. 21/2020.04.28. Honoraria of the members of the Supervisory Board for year 2020, effective as of January 1, 2020 was determined and approved in 2020 by the Company's Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency* - acting in the competence of the General Meeting in resolution No. 22/2020.04.28.

In 2020 Members of the Board of Directors and of the Supervisory Board with reference to their such position have received remuneration only in cash.

II./ Remuneration of the Executive Board of the Company

Decision on compensation of the Chief Executive Officer is within the competence of the Board of Directors. The Board of Directors decides in subject of the compensation of the Chief Executive Officer based upon the proposal of the Remuneration Subcommittee.

Compensation of the other members of the Executive Board falls into the competence of the Chief Executive Officer.

III./ Remuneration Policy

The Board of Directors - *based on Subsection (1) of Section 5 and Section 9 of the decree no. 102/2020 (IV.10.) of the Government of Hungary on the deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency* - acting in the competence of the General Meeting has – in its advisory competence - approved the Remuneration Policy applicable from year 2021, elaborated and proposed by the Board of Directors of the Company with respect to Act LXVII of 2019 on the Encouragement of Long-term Shareholder Engagement and Modification of Certain Acts with the Purpose of Legal Harmonization.

Members of the Board of Directors, the Supervisory Board, as well as the chief executive officer and the deputy chief executive officer(s) (hereinafter: Directors) fall within the personal scope of the Remuneration Policy. The Company's Remuneration Policy distinguishes persons who are employed by the Company as Executives to perform the tasks associated with their job, and in consideration of their status as employees they receive separate remuneration (salary and other benefits) in addition to, or in the absence of, their remuneration as members of the Board of Directors or Supervisory Board.

The Remuneration Policy introduces the general remuneration concept. It discusses in separate chapters the remuneration of the members of the Board of Directors and of the Supervisory Board, moreover the elements of the remuneration of Directors employed by the Company. Furthermore it describes questions should be regulated in the framework of the remuneration policy according to the relating law. The Remuneration Policy is available on the website of the Company (www.richter.hu).

törölt: 19

törölt: 19

törölt: AGM in 2019

törölt: 17/2019.04.24

törölt: 19

törölt: 19

törölt: AGM in 2019

törölt: 18/2019.04.24

törölt: 19

With respect to the regulations of Act LXVII of 2019 on the Encouragement of Long-term Shareholder Engagement and Modification of Certain Acts with the Purpose of Legal Harmonization the Company shall be obliged to create and publish remuneration report with the content defined in Act LXVII of 2019 on the Encouragement of Long-term Shareholder Engagement and Modification of Certain Acts with the Purpose of Legal Harmonization, in which the Company will give a comprehensive review of the aggregated remuneration determined in any way to the benefit of single Directors in the last business year or based on its results in compliance with the Remuneration Policy.

Annex 2

Corporate Governance Report
on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, the Company makes a statement regarding the extent to which it has implemented in its own corporate governance practice the recommendations and proposals specified in the relevant sections of the Corporate Governance Recommendations issued by the Budapest Stock Exchange Ltd., by completing the following tables.
These tables provide an overview for the investors of the extent of the compliance - by the relevant company - with certain requirements set out in the Corporate Governance Recommendations at glance, and enable easy comparison of the practices of the specific companies.

The Recommendations contain both recommendations that are binding for all issuers and non-binding proposals. Issuers may derogate both from binding recommendations and non-binding proposals. In the event of derogation from the recommendations, issuers are required to publish and justify the derogation in their corporate governance reports ('comply or explain'). This enables issuers to take industry and company-specific requirements into account. Accordingly, even issuers derogating from the recommendations can comply with corporate governance requirements under specific circumstances. Concerning the proposals, issuers should indicate whether they apply a given guideline or not, and they can also explain any derogation from the proposals.

The basic principle and purpose of the corporate governance report is to have companies give a report of their previous business year and to reveal the measure of their compliance with the Recommendations. The Recommendations may, however, include recommendations and proposals relating to events which did not occur at the issuer in the given period. In accordance with the current practice, these 'event type' questions can be answered with 'YES' also when the relevant event did not occur in the business year (for instance, no dividend was paid, or no shareholders' comments were received for the proposals to be submitted prior to the General Meeting) if the Company would have responded to the occurrences of such events as set forth in the Recommendations, in line with the provisions of its Articles of Association or its practices. In a situation like that, the solution that comes closest to the principle of transparent operation is for the issuer to select YES and also to add an explanation that though the event in question did not occur in the previous business year, there are appropriate mechanisms in place to handle it.

Level of compliance with the Recommendations

The Company indicates whether it follows the relevant recommendation or not, and if not, briefly explains the reasons why it did not follow that specific recommendation.

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

Yes

Explanation: -

1.1.2. Are the Company's Articles of Association available on the Company's website?

Yes

Explanation: -

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

Yes

Explanation: The announcement (invitation) convening the general meeting contains information regarding the way and conditions to appoint representative (nominee) and the fact that the forms for voting via proxy will be published by the Company on its website 21 days prior to the general meeting.

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

Yes

Explanation: The announcement (invitation) convening the general meeting contains the regarding rules.

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

Yes

Explanation: -

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

Yes

Explanation: -

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

Yes

Explanation: -

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

Yes

Explanation: -

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

Yes

Explanation: -

1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes

Explanation: *There were no such questions. (With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)*

törölt: -

1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

No

Explanation: *There were no such questions. (With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)*

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

No

Explanation: *There were no such suggestions, proposals which would justify ordering a recess or postponing the general meeting. (With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)*

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes

Explanation: -

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

No

Explanation: *The Board of Directors nominated the new candidate to the Board of Directors with asking the opinion of the major shareholders.*

törölt: *s*

törölt: *s*

törölt: *and the non-employee representative candidates to the Supervisory Board*

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

No

Explanation: *In the announcement (invitation) convening the general meeting it is signed at the agenda item relating to the amendments of the Statutes that the amendments would be proposed in which subjects. (With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)*

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

No

Explanation: *The Company fulfill its obligation to deposit the minutes of the general meeting in compliance with the rules of the Civil Code.*

1.5.1.1. -1.5.6.[4]

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

No

Explanation: *The Company did not establish publication guidelines. The Company in connection with its publications follows the rules of the Statutes, the effective legal regulations, and the regarding regulations of the Budapest Stock Exchange and the National Bank of Hungary.*

1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

Yes

Explanation: -

1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2. of the Recommendations document?

No

Explanation: *The Company formed its internal practice relating to disclosures in compliance with the effective legal regulations, rules of the Statutes, and the regarding regulations of the Budapest Stock Exchange and the National Bank of Hungary.*

[4] As a result of the review of the BSE Corporate Governance Recommendations (hereinafter: "CG Recommendations") in 2020, the Corporate Governance Committee of BSE (hereinafter: "the Committee") repealed Section 1.5 on Remuneration and recommendations under 1.6.7 regarding remuneration and accordingly amended points 1.6.2, 1.6.9 and 2.2.2 as well as Annex 1 of the CG Recommendations, regarding to that from July 2019 the rules of remuneration matters are governed by the provisions of Act LXVII of on the Encouragement of Long-term Shareholder Engagement and Modification of Certain Acts with the Purpose of Legal Harmonization. Nevertheless, in the future, the Committee intends to give interpretations and guidance to complement these legal provisions to the issuers, but for this it is necessary that relevant experience connecting to the new legal regulations is learnt and gathered. The new recommendations and proposals be approved by the Committee later on and stepping instead of the repealed points will summarize these practical experiences.

törölt: Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?¶
¶
No¶
¶
Explanation: *The Company does not established guidelines concerning performance review and remuneration. 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 of the 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. Decision on compensation of the Chief Executive Officer is within the competence of the Board of Directors. The Board of Directors decides in subject of the compensation of the Chief Executive Officer based upon the proposal of the Remuneration Subcommittee. Compensation of the other members of the Executive Board falls into the competence of the Chief Executive Officer.*¶
Concerning the incentive tool system, in 2017 the Board of Directors approved that the performance urging of the Chief Executive Officer, other members of the Executive Board and the key employees in the future basically would be executed by establishing and operating EPP Organization (MRP) by the Company, preferred by the legislator. As the payment for acknowledging performances in 2019 through the EPP could not be made due to changes in statutory provisions - modifying the evaluation period to two years -, the Board of Directors has approved that the Company apply interim ... [7]

törölt: Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?¶
¶
No¶
¶
Explanation: *The Company did not establish guidelines concerning remuneration and did not prepare Remuneration Statement in line with Section 1.5.6. 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 of the 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. Decision on compensation of the Chief Executive Officer is within the competence of the Board of Directors. The Board of Directors decides in s* ... [8]

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

No

Explanation: *The Company formed its internal practice relating to disclosures in compliance with the effective legal regulations, rules of the Statutes, and the regarding regulations of the Budapest Stock Exchange and the National Bank of Hungary.*

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

No

Explanation: *See as written under Section 1.6.2.1. and 1.6.2.2.*

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

No

Explanation: *See as written under Section 1.6.2.1. and 1.6.2.2.*

1.6.3. Did the Company publish its annual company event calendar?

Yes

Explanation: -

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

Explanation: -

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

Yes

Explanation: -

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

No

Explanation: *The Corporate Governance and Nomination Subcommittee assessed the annual work of the members of the Board of Directors. The Supervisory Board reported from its annual work in its report regarding the Company's annual report. Assessing the work of the Chief Executive Officer falls into the competence of the Board of Directors. Assessing the work of other members of the Executive Board falls into the competence of the Chief Executive Officer.*

1.6.7.1.-1.6.7.2.[5]

törölt: Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5.¶
¶
No¶
¶
Explanation: The Company did not publish remuneration guidelines. See as written under Section 1.5.1.1.-1.5.1.4.

törölt: ¶
¶

törölt: Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5.?¶
¶
No¶
¶
Explanation: The Company did not publish Remuneration Statement in compliance with Section 1.5.6. See more as written under Section 1.5.6.

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

Yes

Explanation: -

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

No

Explanation: *The Company does not publish own guidelines (policy) relating to the trading of its shares by insiders. The 596/2014/EU Regulation and other regarding legal rules are applicable to the trading of persons deemed to be insider at the Company. The Company's internal regulations - which covering also regulations related to prohibiting of insider trading - states prohibitions related to trading of insider person in compliance with the legal regulations.*

1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company[6] in the annual report or in some other way?

törölt: , as well as the extent of their interest under the equity-based incentive system

Yes

Explanation: -

1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

No

Explanation: *There was no such case.*

2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

[5] See footnote No.4
[6] See footnote No.4

Yes

Explanation: -

2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

Yes

Explanation: -

2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members[7]?

törölt: and the principles for determining their remuneration

No

Explanation: Draft resolutions regarding the candidates nominated to be the members of the Board of Directors is proposed by the Board of Directors based upon the preliminary motion of the Corporate Governance and Nomination Subcommittee, at the same time providing the curriculum vitae of the candidates.

törölt: *Members of the Board of Directors and of the Supervisory Board get monthly paid honoraria which determined by the general meeting. Proposal regarding to the honoraria of the members of the Board of Directors and of the Supervisory Board is prepared and submitted with respect to the preliminary motion of the Remuneration Subcommittee.* ¶

2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes

Explanation: -

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes

Explanation: -

2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes

Explanation: There is a possibility to hold extraordinary meetings and passing resolution without session.

[7] See footnote No.4

2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes

Explanation: -

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes

Explanation: -

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

Yes

Explanation: -

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes

Explanation: -

2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2. of the Recommendations?

Yes

Explanation: -

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes

Explanation: -

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes

Explanation: -

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

No

Explanation: Assessing the work of the Chief Executive Officer is falling into the competence of the Board of Directors. Assessing the other members of the Executive Board is the competence of the Chief Executive Officer.

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

No

Explanation: In case of those public companies limited by shares which do not have one tier (Board) system, but where operate a two tier system – there is independent Supervisory Board beside the Board of Directors - the Civil Code do not state criteria of independence to the members of the Board of Directors. Apart from this the Company applies the criteria of independence stated to the Supervisory Board members by the Civil Code in respect of both members of the Board of Directors and of the Supervisory Board.

2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes

Explanation: -

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

No

Explanation: There was no such transaction.

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

No

Explanation: There was no such transaction.

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

No

Explanation: *There was no such case.*

2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes

Explanation: *The Company set up rules related to handling insider information in frameworks of internal regulations.*

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

No

Explanation: *According to the Rules of Organization and Procedure approved by the Board of Directors at the Company there is an internal audit department, operating subordinated to the Chief Executive Officer, which reports regularly to the Board of Directors and also fulfills tasks given by the Supervisory Board.*

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes

Explanation: -

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes

Explanation: -

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes

Explanation: -

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes

Explanation: *The Board of Directors and the Supervisory Board are jointly responsible for the management of the Company's risk management.*

törölt: -

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes

Explanation: *With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.*

törölt: -

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

Explanation: -

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

Explanation: -

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

Explanation: -

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports ?

Yes

Explanation: -

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes

(Explanation: -)

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

No

(Explanation: There was no such case.)

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes

(Explanation: -)

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes

(Explanation: With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)

törölt: -

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

No

(Explanation: *There was no absence. With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.*)

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.(Answer Yes, if not)

No

(Explanation: *The Statutes does not contain such explicit possibility but it is approved according to the Company's long-years practice.*
With respect to the extraordinary situation formed in Hungary in connection with coronavirus epidemic (Covid-19), according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.) the Company could not hold its annual general meeting convoked for 28 April 2020 in a way which would require the physical presence of the shareholders. According to Gov. Decree No.: 102/2020 the Board of Directors had the right to decide about any and all issues listed on the published agenda of the general meeting.)

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

No

(Explanation: *The Statutes does not contain such explicit possibility but with the consent of the Chairman of the Board of Directors it is approved according to the Company's long-years practice.)*

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes

(Explanation: -)

1.4.1. In line with Section 1.4.1., did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes

(Explanation: -)

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes

(Explanation: -)

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes

(Explanation: -)

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

No

(Explanation: The directorates of the Company are entitled to decide on using external advisors and outsourced activities on ad hoc basis to the debit of their budget. In cases of top priority the decision on using external advisor is falling in competence of the Chief Executive Officer.)

Dated in Budapest, April 15, 2021

törölt: 28 April, 2020

……………………………………..…	……………………………………...
Prof. Dr. E. Szilveszter Vizi	Erik Bogsch
Member of the Board of Directors,	Chairman of the Board of Directors
Chairman of the Corporate Governance	
and Nomination Subcommittee	

11.

Amendments to the Company’s Statutes

PROPOSAL
for the amendment of the Statutes of
the Chemical Works of Gedeon Richter PLC
24 March 2021

Proposal for the amendment of Section 14.1 of the Statutes:

"14.1 The Board of Directors shall be the Company's managing body. It shall represent the Company with respect to third parties, in court and before other authorities. The Board of Directors shall develop and control the Company's operations and shall exercise employer's rights over the Chief Executive Officer. The Board of Directors shall be comprised of 3 (three) but no more than ~~11~~12 (~~eleven~~twelve) members. The ~~members of the first Board of Directors of the Company shall be appointed by the founders in the Deed of Foundation for a term of 1 (one) year starting from the date of appointment. Subsequently, the~~ General Meeting shall elect from time to time the members of the Board of Directors for a defined period of time that shall not exceed the term of 5 years.

The names and data of the members of the Board of Directors are contained within Annex (A) of these Statutes."

STATUTES

of

CHEMICAL WORKS OF GEDEON RICHTER PLC.

(This consolidated version contains the amendments of the Statutes approved by the Board of Directors acting in the competence of the General Meeting on April 15, 2021.)

törölt: Annual

törölt: of

törölt: 28

törölt: 0

törölt: AGM
törölt: HELD
törölt: 28
törölt: 0

CHEMICAL WORKS OF GEDEON RICHTER PLC.

STATUTES

This document prepared on the basis of Act V of 2013 on the Civil Code (the "Civil Code") is the consolidated version of the statutes ("Statutes") of the mid-sized Chemical Works of Gedeon Richter PLC ("Company"), a leading pharmaceutical company of the Central-Eastern European region with growing presence in Western Europe, that controls a multinational pharmaceutical company group ("Richter Group") with more than one hundred years' experience in the research and development, manufacturing and sale of pharmaceutical products carried out with the support of a number of subsidiaries as well as jointly controlled and affiliated companies.

(1) The name of the Company: **Richter Gedeon Vegyészeti Gyár Nyilvánosan Működő Rt.**

Abbreviated name of the Company: Richter Gedeon Nyrt.

The trade name of the Company in foreign languages:

in English:	Chemical Works of Gedeon Richter Plc.
abbreviated name:	Gedeon Richter Plc.
in German:	Chemische Fabrik Gedeon Richter Offene AG.
abbreviated name:	Gedeon Richter AG.
in French:	Fabrique de Produits Chemiques Gedeon Richter S.A.
abbreviated name:	Gedeon Richter S.A.
in Russian:	Otkritoye A.O. Chimichesky Zavod Gedeon Richter
abbreviated name:	Gedeon Richter O.A.O.
in Spanish:	Fábrica de Productos Quimicos Gedeon Richter S.A.
abbreviated name:	Gedeon Richter S.A.

(2) Seat of the Company: 1103 Budapest, Gyömrői út 19-21.

Branch Offices of the Company:

2510 Dorog, Esztergomi út 27.
4031 Debrecen, Richter Gedeon u. 20.
4031 Debrecen, Kígyóhagyma u.8.
6720 Szeged, Eötvös u. 6 .
7673 Kővágószőlős, 505/2 hrsz.

(3) The Company is the General Legal Successor of Kőbányai Gyógyszerárugyár.

(4) The Company is Established for an Indefinite Period of Time.

The Company shall commence its activities on the day of its foundation.

(5) Scope of the Activities of the Company (TEÁOR'08):

The main activity of the Company:

21.20 Manufacture of pharmaceutical preparations

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Other scope of activities of the Company:

10.86	Manufacture of homogenised food preparations and dietetic food
10.89	Manufacture of other food products n.e.c.
17.22	Manufacture of household and sanitary goods and toilet requisites
20.13	Manufacture of other inorganic basic chemicals
20.14	Manufacture of other organic basic chemicals
20.20	Manufacture of pesticides and other agrochemical products
20.42	Manufacture of perfumes and toilet preparations
20.59	Manufacture of other chemical products n.e.c.
21.10	Manufacture of basic pharmaceutical products
26.60	Manufacture of irradiation, electromedicinal and electrotherapeutic equipment
32.50	Manufacture of medicinal and dental instruments and supplies
35.11	Production of electricity
35.12	Transmission of electricity
35.13	Distribution of electricity
35.14	Trade of electricity
35.21	Manufacture of gas
35.22	Distribution of gas
35.23	Trade of gas
35.30	Steam and air condition supply
36.00	Water collection, treatment and supply
37.00	Sewerage
38.11	Collection of non-hazardous waste
38.12	Collection of hazardous waste
38.21	Treatment and disposal of non-hazardous waste
38.22	Treatment and disposal of hazardous waste
38.32.	Recovery of sorted materials
39.00	Remediation activities and other waste management services
41.10	Development of building projects
46.19	Agents involves in the sale of variety of goods
46.38	Wholesale of other food
46.44	Wholesale of china and glassware and cleaning materials
46.45	Wholesale of perfume and cosmetics
46.46	Wholesale of pharmaceutical goods
46.47	Wholesale of furniture, carpets, and lighting equipment
46 49	Wholesale of other household goods
46.52	Wholesale of electronic and telecommunications equipment and parts
46.69	Wholesale of other machinery and equipment
46.73	Wholesale of wood, construction materials and sanitary equipments
46.75	Wholesale of chemical products
46.76	Wholesale of other intermediate products
46.90	Not specialized wholesale trade
47.41	Retail sale of computers, peripheral units and software in specialized stores
47.42	Retail sale of telecommunication products in specialized stores
47.53	Retail sale of carpets, rugs, wall and floor coverings in specialized stores
47.59	Retail sale of furniture, lighting equipments and other household articles in specialized stores
47.73	Dispensing chemists in specialized stores
47.78	Other retail sale of new goods in specialized stores
49.20	Freight rail transport
49.41	Freight transport by road
52.10	Storage and warehousing
52.21	Service activities incidental to land transportation
52.24	Cargo handling
55.20	Holiday and other short-stay accommodation
55.90	Other accommodation
56.21	Event catering activities
56.29	Other food service activities
64.20	Activities of holding companies
64.30	Trusts, funds and similar financial activities
64.99	Other financial service activities, except insurance and pension funding n.e.c.
68.10	Buying and selling of own real estate
68.20	Renting and operation of own or leased real estate
68.32	Management of real estate on fee or contractual basis
69.20	Accounting, bookkeeping and auditing activities; tax consultancy
70.10	Activities of head offices
70.21	Public relations and communications activity
70.22	Business and other management consultancy activities
71.12	Engineering activities and related technical consultancy
71.20	Technical testing and analysis

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72.11 Research and experimental development on biotechnology
72.19 Other research and experimental development on natural sciences and engineering
72.20 Research and experimental development on social sciences and humanities
74.90 Other professional scientific and technical activities n.e.c.
77.12 Renting and leasing of trucks
77.32 Renting and leasing of construction and civil engineering machinery
77.33 Renting and leasing of office machinery and equipment (including computers)
77.39 Renting and leasing of other machinery, equipment and tangible goods n.e.c.
77.40 Leasing of intellectual property and similar products, except copyrighted works
81.10 Combined facilities support activities
81.29 Other cleaning activities
82.30 Organization of conventions and trade shows
82.92 Packaging activities
82.99 Other business support service activities n.e.c.
85.10 Pre-primary education
85.51 Sports and recreation education
86.21 General medical practice activities
86.22 Specialist medical practice activities
91.01 Library and archives activities
96.01 Washing and (dry-)cleaning of textile and fur products

(6) The Registered Capital (Subscribed Capital) of the Company:

6.1 The registered capital (subscribed capital) of the Company is: **HUF 18,637,486,000,** i.e. eighteen-billion-six-hundred-thirty-seven-million-four-hundred-and-eighty-six-thousand Hungarian Forints, of which HUF 6,147,486,000 comprises cash contributions and HUF 12,490,000,000 comprises in-kind contributions.

The in-kind contributions consist of the assets of Kőbányai Gyógyszerárugyár (HUF 11,390,000,000) as determined in its transformation plan, and the in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt., having been determined to have a value of HUF 100,000,000.

6.2 The in-kind contribution of Richter Gedeon Vegyészeti Gyár Rt. consists of certain intangible assets of Richter Gedeon Vegyészeti Gyár Rt. with a value of HUF 100,000,000. The founders shall accept the value of the in-kind contribution of the Company at the above specified value. Richter Gedeon Vegyészeti Gyár Rt. permits the Company to use the trade name "Richter Gedeon Vegyészeti Gyár Rt." free of charge.

6.3 (Deleted pursuant to the resolution passed by the General Meeting held on September 28, 1993)

(7) Shares and Shareholder Rights

7.1 The Company's registered capital:

186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty **dematerialized registered common shares**, each with a nominal value of HUF 100 that is one hundred Hungarian forints.

7.2 The distribution of shares at foundation of the Company:

7.2.1 The Company was established as a closely-held company. By signing the Company's Statutes and Deed of Foundation, the founders of the Company subscribed for the total registered share capital (HUF 12,417,500,000) of the Company and received all the then issued shares. The shares were alloted in accordance with Act XIII of 1989 and the transformation plan in the following proportions:

The Hungarian State - State Property Agency	11,390,000,000 Ft
The Hungarian State - Richter Gedeon Vegyészeti Gyár Rt.	100,000,000 Ft
Magyar Hitel Bank Rt.	917,500,000 Ft

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Pharma Haupt GmbH	10,000,000 Ft

7.2.2 Pursuant to General Resolution No. 1/1991, the Company converted HUF 806,474,000 of capital assets into registered capital, and accordingly issued 63,950 bearer shares each having a nominal value of HUF 1,000 and 742,524 registered preference shares each having a nominal value of HUF 1,000.

7.2.3 Pursuant to Resolution No. 26/1994. 09. 28. of the General Meeting, the Company increased its registered capital by HUF 4,413,512,000 and issued 4,413,512 new registered common shares; thereafter, in accordance with Resolution No. 27/1994. 09. 28. of the General Meeting, 63,950 bearer shares, each having a nominal value of HUF 1,000, were converted into registered common shares, each having a nominal value of HUF 1,000, on a one-by-one basis.

7.2.4 Upon request of the shareholders and pursuant to Resolution No. 19/1995.04.27., the General Meeting of the Company transformed one registered preference share into one registered common share.

7.2.5 Upon request of the shareholders and pursuant to Resolutions No. 13/1996. 05. 03. and No. 14/1996. 05. 03., the General Meeting of the Company approved the conversion of 517,139 registered preference shares into 517,139 registered common shares.

7.2.6 At the request of the shareholders and pursuant to Resolution No. 11/1997. 04. 29. and no. 12/1997. 04. 29., the Annual General Meeting of the Company converted 171,413 registered preference shares into 171,413 registered common shares.

7.2.7 The Company's Extraordinary General Meeting held on May 28, 1997 approved to increase the registered share capital by HUF 1,000,000,000 up to HUF 18,637,486,000 in accordance with Resolution No. 7/1997. 05. 28.

7.2.8 At the request of the shareholders and pursuant to Resolution No. 11/1998. 04. 28. and No. 12/1998. 04. 28., the Annual General Meeting of the Company converted 16,327 registered preference shares into 16,327 registered common shares.

7.2.9 At the request of the shareholders and pursuant to Resolution No. 11/1999. 04. 28. and No. 12/1999. 04. 28., the Annual General Meeting of the Company converted 3,498 registered preference shares into 3,498 registered common shares.

7.2.10 At the request of the shareholders and pursuant to Resolutions No. 9/2000. 04. 26. and 10/2000. 04. 26., the Annual General Meeting of the Company converted 16,987 registered preference shares into 16,987 registered common shares.

7.2.11 At the request of the shareholders and pursuant to Resolutions No. 9/2001. 04. 26. and 10/2001. 04. 26., the Annual General Meeting of the Company converted 4,066 registered preference shares into 4,066 registered common shares.

7.2.12 At the request of the shareholders and pursuant to Resolutions No. 9/2002. 04. 25. and 10/2002. 04. 25., the Annual General Meeting of the Company converted 1,688 registered preference shares into 1,688 registered common shares.

7.2.13 At the request of the shareholders and pursuant to Resolutions No. 11/2003. 04. 28. and 12/2003. 04. 28., the Annual General Meeting of the Company converted 1,806 registered preference shares into 1,806 registered common shares.

7.2.14 Pursuant to Resolution No. 16/2003. 04. 28., the Annual General Meeting of the Company has approved the conversion of the registered common shares of the Company into dematerialized shares.

7.2.15 At the request of the shareholders and pursuant to Resolution No 12 /2004. 04. 28., the Annual General Meeting of the Company converted 2,570 registered preference shares into 2,570 registered common shares.

7.2.16 At the request of the shareholders and pursuant to Resolution No 14 /2005. 04. 27., the Annual General Meeting of the Company converted 2,678 registered preference shares into 2,678 registered common shares.

7.2.17 At the request of the shareholders and pursuant to Resolution No 12 /2006. 04. 26., the Annual General Meeting of the Company converted 892 registered preference shares into 892 registered common shares.

7.2.18 Pursuant to Resolutions No. 11/2007.04.25, 12/2007.04.25 and 13/2007.04.25, the Annual General Meeting converted 3,459 registered preference shares into 3,459 registered common shares.

7.2.19 Pursuant to Resolution No. 10/2013.04.25., the Annual General Meeting transformed 18,637,486 that is eighteen-million six-hundred-and-thirty-seven-thousand four-hundred-eighty-six dematerialized registered common shares, each with a nominal value of HUF 1,000 that is one thousand Hungarian forints into 186,374,860, that is one hundred eighty-six million three hundred seventy-four thousand eight hundred sixty dematerialized registered common shares, each with a nominal value of HUF 100 that is one hundred Hungarian forints; by splitting the nominal value in a ten-to-one ratio.

7.3 The shares of the Company (including the interim shares) are dematerialized shares (Subsection 3:214 (2) of the Civil Code)

7.4 Within one category and class of shares, several series may be issued. Shares belonging to one series of shares may not differ as to their face value or method of production.

7.5 (This section was deleted in accordance with the resolution of the AGM held on April 24, 2014.)

7.6 (This section was deleted in accordance with the resolution of the AGM held on April 25, 2007).

7.7 If a resolution is passed at a General Meeting on the conversion of any categories of shares of the Company, the Board of Directors, at cost of the Company, shall provide, in compliance with the legal rules and the regulations of the central depository for the invalidation of the document issued previously relating to the dematerialized shares but which is not deemed to be security, the issuance of a new document and the registration of the converted shares on the securities accounts.

7.8 Should the Company's registered capital be increased, the price of the shares to be issued and the due date by which payments for such shares shall be made, shall be determined – in accordance with the provisions of the Civil Code – in the resolution on the increase of the Company's registered capital.

7.9 If a shareholder fails to provide his contribution undertaken by the date set forth, the Board of Directors shall order such shareholder to provide the contribution within a period of thirty days. Such order shall also note that failure to perform will result in the termination of the shareholder status with respect to the shares concerned, as of the day following the expiry of the deadline. In the event the period of thirty days passes without performance, the shareholder status with respect to the given shares shall terminate on the day following the expiration of such period. The Board of Directors shall inform the shareholder thereof in writing (Subsection 3:98. (2) of the Civil Code).

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7.10 (Deleted pursuant to the resolution passed by the General Meeting held on April 25, 2007).

7.11 Rights of the shareholder:

7.11.1 The shareholder is entitled to receive a share of the Company's profits that are distributable and where a dividend is declared by the General Meeting. Such dividend shall be in proportion to the number of nominal shares held by the shareholder (right to a dividend) however, dividends with respect to treasury shares shall be divided to shareholders entitled to dividends, payable in proportion of the nominal value of their shares. (Subsection 3:225 of the Civil Code). Shareholders that have been registered in the share-register as a result of the identification of ownership prepared on the reference date established and announced by the Board of Directors regarding the payment of dividends are entitled to dividends. The date with relevance with respect to the entitlement to dividends established by the Board of Directors may be different than the date of the general meeting adopting the decision for the payment of dividends.

7.11.2 In case of termination of the Company without a legal successor, the shareholder shall be entitled – based on the payments and in-kind contributions made by the shareholder for the shares - to a portion of any remaining assets of the Company following satisfaction of the Company's creditors. Such portion of the remaining assets shall be distributed to the shareholder in proportion to the ratio between the nominal value of its shareholding in the Company's registered capital and the total registered capital of the Company (proportional right to liquidation assets).

7.11.3 Every shareholder has the right to participate in the General Meeting, to request information, to voice its opinion and to submit motions within the limits set forth by the Civil Code Shareholders entitled to vote may vote.

7.11.4 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, who made such a 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 the 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 the documents on condition that the requesting shareholder makes a written declaration of confidentiality. The Board of Directors may refuse to disclose information or grant access to documentation or data if its dissemination would compromise business secrets of the Company, 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 oblige the Company to provide the requested information (Sections 3:23 and 3:258 of the Civil Code).

7.11.5 (Deleted and inserted in Section 11.4 pursuant to the resolution passed by the General Meeting held on April 27, 2005)

7.11.6 (Deleted and inserted in Section 11.5.3 pursuant to the resolution passed by the General Meeting held on April 27, 2005)

7.12 Court review of resolutions

Any shareholder of the Company, any member of the Board of Directors or of the Supervisory Board may request the court to annul the resolutions passed by the organs of the Company with reference to the point that such resolution violates the law, or these Statutes.

The action for court annulment of a resolution violating the law shall be initiated against the Company within thirty days after the person initiating the action has obtained knowledge, or should have obtained knowledge of the resolution in question. Following expiration of a one year non-appealable deadline from the date of the passing of the resolution no action shall be initiated. (Sections 3:35-37 of the Civil Code)

Any person who voted in favour of a resolution is not entitled to this right to bring an action against such a resolution, provided that the person's affirmative vote was not procured by mistake, fraud, or unlawful threat.

7.13 A resolution of the General Meeting aiming at the change of the form of operation of the Company comes into effect upon the delisting of the Company's shares. (Subsection 3:211. (3) of the Civil Code)

7.14 Obligations of Certain Shareholders:

7.14.1 A shareholder of the Company may not establish, manage, administer or permit the continuance of any depositary arrangement in Hungary or any other country in respect of shares or any other securities convertible into shares of the Company unless provisions having substantially the same purpose and effect as the provisions in Sections 9 and 13 hereof are imposed on investors and any other participants in such depositary arrangement by the agreement(s), conditions and any other instrument(s) constituting or otherwise regulating such depositary arrangement.

7.14.2 For the purposes of the present Statutes, a "depositary arrangement" shall mean any arrangement for the holding of shares or convertible securities of a corporate entity by a depositary or any other person (however defined) registered as a shareholder in the Share Register of such entity pursuant to which the persons participating in such arrangement as investors are granted interests in a global certificate, or are issued with securities or certificates, such global certificate or securities or certificates evidencing interests or rights in respect of the shares or convertible securities held by such depositary or other person holding the shares or convertible securities. The Statutes may provide that the depositary or other person holding the shares shall not be subject to the provisions of Articles 9 and 13, or shall be subject only to certain of them, provided, however, that such depositary or other person shall always comply with Section 7.14.1 hereof.

(8) Share Register

8.1 The Board of Directors of the Company shall keep a register of shareholders, including holders of interim shares. The Board of Directors of the Company may outsource the administration of its Share Register to a clearing house, a central depository, an investment enterprise, a financial institution, an attorney at law or an auditor (other than the elected auditor) subject to publication of the commission and identity of the consignee in the Cégközlöny (Companies Gazette) and on the Company's homepage. The following shall be recorded in the Share Register: the name (company) and address (registered seat) of the shareholders and the shareholders' representatives (hereinafter referred to jointly as "shareholders"), or in the case of jointly owned shares, the name (company) and address (seat office) of the joint representative, furthermore, the number of shares or interim shares (ownership ratio) of shareholders as per each series of shares, as well as any other data set forth by law and in section 9.3 of the Statutes. (Section 3:245 of the Civil Code)

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8.2 Anyone whose actual or deleted data is contained in the Share Register may inspect the Share Register, and may request a copy of the section thereof concerning themselves from the keeper of the Share Register, which request the keeper of the Share Register shall satisfy within five days. The first copy of such certificate of shareholding (the extract in the case of digital data carriers) shall be provided free of charge. Any further copies shall be provided at the expense of the shareholder requesting them. The Share Register may be inspected by third parties within the limits of the legal regulations concerning the inherent rights and the protection of data. (Section 3:247 of the Civil Code) While inspecting the Share Register the Company informs the inspecting person if it has initiated an identification of ownership procedure. The Company publishes the rules of inspection on its website.

8.3 The securities account keeper of the shareholder files the shareholders' request of registration to the keeper of the Share Register within two working days after the crediting of the shares to the securities account, except if the shareholder explicitly prohibits or does not authorize the securities account keeper to do so. The keeper of the Share Register may refuse to comply with the registration request of shareholder, if such shareholder has acquired his shares in violation of the regulations on the transfer of shares set out by law or the Statutes. A registered shareholder shall be deleted from the Share register upon his request. (Subsections 3:246 (2)-(3))

8.4 The determination of entitlement to exercise the rights of shareholding takes place by way of identification of ownership. A certificate of ownership is not required for the exercise of shareholding rights (Subsection 3:254 (6) and Section 3:248 of the Civil Code) The date of registration in the Share Register shall be same as the date of the identification of ownership.

(9) Transfer of Shares

A. General

9.1 The shares of the Company shall be acquired and transferred by debiting of the securities account of the transferor and crediting of the securities account of the new shareholder with the dematerialized share. The person on whose account the share is registered shall be deemed to be the holder of the share. (Sections 6:577 and 6:578 of the Civil Code)

9.2 Shareholders may exercise shareholder rights towards the Company only upon being registered in the Share Register. (Subsection 3:246 (1) of the Civil Code)

B. Entry in the Share Register

9.3 In case of persons falling under the obligation of notification pursuant to the provisions of the Capital Market Act, the transfer of registered shares shall be entered by the Company in the Share Register upon evidencing that the report to the Commission relating to the acquisition of shares and the required public disclosure regarding same pursuant to the provisions of the Capital Market Act has been made, and furthermore upon the presentation to the Board of Directors by the transferee of shares, by the shareholder's representative or, in case of jointly owned shares, the joint representative of the information satisfactory to the Board of Directors concerning (a) the circumstances of the acquisition of shares, (b) the identity (in the case of a natural person) or the status and ownership (in the case of a legal entity or other body, incorporated or otherwise) of the transferee of shares Within the framework of the obligation of notification, at least the following documents must be presented to the Board of Directors:

- (i) in case of shareholders which are legal entities, a recent certificate of incorporation or any other official document of equivalent purpose providing detailed information concerning the current legal status and ownership structure of the shareholder, and

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- (ii) a statement by the shareholder indicating (a) whether the shareholder is the beneficial owner of the shares to be entered in the Share Register, (b) whether there is any agreement relating to the exercise of voting rights with respect to the shares, and (c) providing - in case of shareholders which are legal entities - information satisfactory to the Company concerning the name, registered seat and ownership structure of any shareholder, partner, member of, or holder of any interest in, the shareholder holding or controlling 20% (twenty percent) or more of its registered capital or voting rights at its general meetings. The certificate of incorporation or any other official document of equivalent purpose relating to the member of the shareholder holding at least 20% of the voting rights in the shareholder must also be presented to the Board of Directors and furthermore, the notification obligation shall also apply with respect to members holding at least a 20% interest or voting rights in the shareholder;

- (iii) a statement of the shareholder pursuant to which such shareholder shall undertake to notify, without any delay, the Board of Directors of the Company of any agreement relating to the exercise of voting rights with respect to the shares;

- (iv) a statement declaring that the shareholder will notify, without any delay, the Board of Directors of the Company of any change in its ownership, where such change is resulting in a member or shareholder of such shareholder acquiring or otherwise controlling - directly or indirectly - at least 20% (twenty percent) or more of the registered capital of the shareholder or voting rights at its general meetings.

In each case, a request for registration into the Share Register by a shareholder shall contain an authorization by said shareholder for the cancellation of the registration in case that such request shall - either at the time of the request or subsequently - contain any materially false, fraudulent or misleading statements.

9.4 (Deleted on the basis of the resolution of the AGM of April 28, 2003 due to the dematerialization of the common shares.)

9.5 (Deleted on the basis of the resolution of the AGM of April 28, 2003 due to the dematerialization of the common shares.)

9.6 The Company shall send its notices to the shareholders or shareholders' representatives - in case of jointly owned shares, the joint representative - registered in the Share Register and to the address indicated in the Share Register, and shall not assume any liability if the actual ownership structure is different from the structure entered in the Share Register.

9.7 (a) The Company shall be entitled to refuse registration in the Share Register, and/or the Board of Directors shall be entitled to delete the registered shareholder or the shareholders' representative from the Shareholders' Register even without the consent of the shareholder thereto, if: (i) a shareholder or shareholder's representative fails to provide the documents, certificates and statements set forth in Section 9.3 hereof where such shareholder or shareholder's representative is required by the present Statutes to provide such documents, certificates and statements, or (ii) if a shareholder has failed to fulfill its notification and publication obligation relating to the acquisition of influence or has acquired influence in excess of the threshold in the Capital Market Act, other than as a result of a successful mandatory offer in accordance with the provisions of the Capital Market Act, or (iii) if the request for registration contains illegible or not understandable information. Any registration in the Share Register made on the basis of materially false, fraudulent or misleading statements shall be deemed null and void and may be cancelled by the Board of Directors.

(b) A shareholder (i) whose acquisition or holding of shares is prohibited by applicable law including when the shareholder has failed to fulfill its notification and publication obligation relating to the acquisition of influence; or (ii) whose shareholding has not been registered in or has been deleted from the Company's Share Register, may not exercise its shareholders' rights with respect to the Company (including but not limited to the right to vote and to receive dividends). In case the Board of Directors deletes the shareholder from the Share Register for lack of the required certificates or for non-appropriate certificates, then the resolutions of the General Meeting passed with the participation of

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such shareholder shall only remain in force if the majority required to pass such resolution was met without the votes of the deleted shareholder.

(c) A shareholder shall be liable for all losses and damages caused to the Company or any other shareholder arising from the provision of materially false, fraudulent or misleading information in documents, certificates or statements in connection with an application for entry into the Share Register, or any material failure to meet its obligations under this Article 9.

C. Publication of the acquisition of influence and Notification to the Company - Thresholds

(Deleted on the basis of the resolution of the AGM held on April 28, 2009.)

(10) Signing on Behalf of the Company

The following persons shall be authorized to sign their names under the stamped, printed, or hand-written name of the Company, and thereby undertake rights and obligations on behalf the Company:

(a) the Chief Executive Officer acting **solely**, on behalf of the Company,

(b) any two members of the Board of Directors acting **jointly,**

(c) any member of the Board of Directors of the Company **jointly** with an employee of the Company vested by the Board of Directors with the authority to sign on behalf of the Company,

(d) any two employees of the Company vested by the Board of Directors with the authority to sign **jointly** on behalf of the Company.

(11) The General Meeting

11.1 The General Meeting is the highest decision-making body of the Company, and shall be comprised of all of the shareholders.

11.2 An annual General Meeting shall be held no later than by the last day of the fifth month of every business year. The agenda of such annual General Meeting shall contain the following items without limitation:

11.2.1 the Board of Directors' report on the Company's consolidated annual report for the previous business year pursuant to the International Financial Reporting Standards (IFRS);

11.2.2 the Supervisory Board's report on the Company's consolidated annual report for the previous business year pursuant to the IFRS;

11.2.3 the Auditor's report on the Company's consolidated annual report for the previous business year pursuant to the IFRS;

11.2.4 approval of the Company's consolidated annual report for the previous business year pursuant to the IFRS;

11.2.5 the Board of Directors' report on the Company's individual annual report for the previous business year prepared pursuant to the Accounting Act; on the management; the financial situation and the business policy of the Company. (Section 3:284 of the Civil Code);

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11.2.6 the Supervisory Board's report on the Company's individual annual report for the previous business year, including also the recommendation regarding the appropriation of after-tax profits;

11.2.7 the Auditor's report on the Company's individual annual report for the previous business year;

11.2.8 approval of the Company's individual annual report for the previous business year, including the resolution on the appropriation of the after-tax profits;

11.2.9 the Board of Director's report on the practice of corporate governance and on the departures made by the Company in applying the Corporate Governance Recommendations of the Budapest Stock Exchange;

11.2.10 determination of the remuneration of the elected directors;

11.3 The Annual General Meeting shall be convened by the Board of Directors unless otherwise provided by the Civil Code. The person or organ convoking the General Meeting shall determine its time, venue, and agenda.

11.4 The Board of Directors shall have the right to call an extraordinary General Meeting at its discretion. The Board of Directors shall also call an extraordinary General Meeting if persons authorized by the Civil Code or these Statutes request from the Board of Directors that a General Meeting be held. If shareholders holding at least one percent of the votes request for the convening of a General Meeting, stipulating its reason and purpose, such a General Meeting shall be convened. (Sections 3:103 and 3:266 of the Civil Code) In the cases determined by the Civil Code, the Supervisory Board, and the Court of Registration are entitled to convene an extraordinary General Meeting.

The Auditor shall initiate the convocation of the General Meeting in cases described by Section 3:38 of the Civil Code. If a General Meeting is not convened, or if the decision called for by the legislation is not made, the Auditor notifies the Court of Registration supervising the Company.

A General Meeting may only be convened while an action is pending at the court with respect to the registration of a capital increase, and subscribers to the increased registered capital are unable to exercise their voting rights with respect to the shares subscribed in the capital increase as a result of the pending registration, if extraordinary circumstances justify the convening of such General Meeting. Such extraordinary General Meeting may only discuss and resolve items justified by such extraordinary circumstances.

11.5 The convening of the General Meeting shall be published on the Company's homepage at least 30 days prior to the commencement date thereof pursuant to the provisions applicable to the Company's announcements. The Company may notify shareholders regarding the convocation of the General Meeting in an electronic format, if shareholders have so requested. If an extraordinary Meeting is convened due to a shareholder stance rendered in connection with a public offer or following a successful public purchase offer and initiated by the acquirer of influence, the Meeting must be convened at least fifteen days prior to its commencement day.

11.5.1 The members of the Board of Directors and of the Supervisory Board and the auditor shall receive separate invitations to the General Meetings.

11.5.2 The announcement (invitation) convening the General Meeting shall indicate the name and seat of the Company, the venue, date, time, agenda and method of holding of the General Meeting, the conditions placed on the exercise of voting rights as specified in these Statutes as well as the time and venue of the reconvened General Meeting. No more than twenty-one days, but at least ten days shall pass between the General Meeting of an insufficient quorum and the reconvened General Meeting. The announcement convening the General Meeting

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shall contain the information that a shareholder or nominee may participate on the General Meeting if registered in the Share Register at least two working days prior to the beginning date of the General Meeting (Subsection 3:273 (2) of the Civil Code, Section 13.1 of these Statues); and the requirements laid down in these Statutes (Section 11.5.3.) of exercising the right to supplement the agenda of the General Meeting (Section 3:259 of the Civil Code), as well as the date, place and way of accessing the full and original text of the proposals on the agenda and of the proposed resolutions (including the website of the Company). (Subsection 3:272 (1) of the Civil Code)

11.5.3 If shareholders with at least one percent of the votes inform the Board of Directors in writing at the latest within eight days following the publication of the agenda about their proposal to amend the Agenda - in accordance with the provisions on detailing the items of the agenda -, or table draft resolutions for items included or to be included on the agenda , the Board of Directors shall render an opinion on the request and publish a notice on the amended agenda and the tabled draft resolution within eight days. The issue indicated in such notice shall be regarded as added to the agenda. The Board of Directors may reject the shareholders' request if the fulfilment thereof infringed upon the law. If the Board of Directors rejects the shareholder's request, the Board of Directors shall publish a notification to that effect along with the reasons for the rejection. (based on Section 3:259 of the Civil Code)

11.5.5 Items not listed in the published agenda may only be discussed and valid resolutions concerning these items shall only be passed if all of the shareholders are present at the General Meeting and they give their unanimous consent to the addition of such items to the agenda. The agenda shall be indicated in the invitation or the proposals for resolutions in sufficient detail to enable the persons entitled to vote to formulate an opinion on the subjects to be discussed.(Section 3:17 of the Civil Code).

11.5.6 The announcement of the General Meeting shall indicate that the shareholders entitled to participate and vote at such General Meeting shall have the right to be represented in participation and voting at the General Meeting by a duly authorized proxy, pursuant to Article 13.4. Such duly authorized representatives are not required to be shareholders of the Company.

11.6 The Company shall publish the key data of its draft consolidated annual report for the previous business year pursuant to the IFRS and its draft individual annual report 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 Meeting, including separate summaries on the individual share classes, together with a summary of the proposals relating to the items on the agenda, the supervisory board reports on these, and draft resolutions, as well as forms for voting via proxy, on the Company's homepage at least twenty one days prior to the General Meeting. The Company shall publish the names of the members of the Board of Directors and the Supervisory Board and all monetary and non-monetary benefits granted to these members in this role, detailed by members and the legal title for the benefit simultaneously with convening the General Meeting. (Subsections 3:258 (2) and 3:272 (3) of the Civil Code)

11.7 With the exception of cases (that might be issues listed under 12.1. d/ii and y/i) where the presence of a larger number of shareholders is required due to the voting proportions set out in article 12.1 in order to constitute a quorum, a quorum exists if shareholders, personally or through their representatives, representing over half of the votes embodied by the voting shares are present at the General Meeting and have duly evidenced their shareholder or representative status. The General Meeting may be suspended once. If the General Meeting is suspended, it shall be continued within thirty days. Existence of the quorum shall be examined at each decision. With respect to the quorum, shareholders or representatives of a shareholders who submit a "yes", "no", or "abstention" vote shall be deemed as the ones being present.

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11.8 If the General Meeting has no quorum, the General Meeting shall be reconvened in accordance with Section 11.5.2. With the exception of cases (that might be any issues listed under 12.1) where under the given circumstances the presence of a larger number of shareholders is required due to the voting proportions set out in article 12.1 in order to constitute a quorum, the reconvened General Meeting shall have a quorum for the purpose of considering items on the agenda of the original General Meeting if the shareholders representing more than 20% of the votes relating to the voting shares issued by the Company are presented personally or via proxy at the reconvened General Meeting and their shareholding or representation right has been duly evidenced.

11.9 The General Meeting shall be chaired by the Chairman of the Board of Directors or by a person called upon in advance by the Board of Directors. The General Meeting shall approve the identity of the president of the General Meeting prior to the substantive discussion of further items of the agenda and until this has happened, the General Meeting cannot make a further substantive decision in respect of the items on the agenda.

(12) Matters Within the Exclusive Competence of the General Meeting:

12.1 The following matters shall belong to the exclusive competence of the General Meeting:

(a) establishment and - unless these Statutes provide otherwise - modification of the Statutes (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares, except for those decisions requiring a greater majority pursuant to the Statues);

(b) decision on the change of the form of operation of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares), which enters into force upon the delisting of the Company's shares;

(c) decision on transformation or termination without a legal successor of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares);

(d) (i) the election and removal of the members of the Board of Directors, the Supervisory Board, the Audit Board and of the Auditor, and the establishment of their remuneration (for election and the establishment of the remuneration, simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares; (ii) for the removal of a member of the Board of Directors, a simple majority of those present but at least 35%+1 vote of all the voting shares , and (iii) for the removal of members of the Supervisory Board and of the Audit Board and of the Auditor, three quarter majority of the votes present at the General Meeting, but at least 35% + 1 vote of all the voting shares);

(e) approval of the consolidated annual report for the previous business year pursuant to the IFRS and of the individual annual report, including the decision on the appropriation of after-tax profits (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(f) decision - unless otherwise stipulated by the Statues - to pay interim dividends (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(g) advisory vote on the remuneration policy (at a material change thereof but in any case at least every four years) and advisory vote on the remuneration report on the previous business year [Subsections 3:268 (2)-(3) of the Civil Code]; decision concerning the approval of the report on corporate governance (Subsection 3:289 (2) of the Civil Code); (in each case above simple majority of those present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

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(h) decision – based on the detailed proposal of the Board of Directors - on providing financial aid for third parties to acquire the Company's own shares (Subsection 3:227 (1) of the Civil Code) (upon the approval of at least the three-quarter majority of the voters present, which votes shall represent at least 20%+1 vote of all the voting shares);

(i) variation of the rights attached to the individual series of shares, and the transformation of categories or classes of shares (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(j) decision - unless otherwise stipulated by the Statues - on the issue of convertible, self-converting bonds or bonds with subscription rights (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(k) decision on the acquisition of own shares, unless otherwise provided for by the Statutes, furthermore, the authorization of the Board of Directors for the acquisition of own shares (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(l) decisions on the (i) listing or (ii) delisting of Company shares on the Stock Exchange (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares in case of listing, or 35% + 1 vote of all the voting shares in case of delisting, unless the decision would result in the change of the Company's corporate form);

(m) with the exception of commercial transactions, any resolution concerning financial matters of the Company that involves the distribution of funds, the obtaining of loans, the granting of guarantees, or the creation of any other financial liability the aggregate financial effect of which over one year exceeds fifteen percent (15%) of the Company's total assets (saját vagyon) as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(n) decisions on investments and leases which have a financial effect over one fiscal year equalling or exceeding twenty-five percent (25%) of the Company's total assets as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(o) decisions on the acquisition of other companies, their share capital, and/or the formation of any other company, if any such transaction has a financial effect over one fiscal year equalling or exceeding thirty percent (30%) of the Company's total assets as determined by the last audited balance sheet (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(p) decisions which may result, in one or more steps, in a fundamental reduction of the research and development or manufacturing activities of the Company in Hungary (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares);

(q) decisions concerning the renaming, or any amendment to the registered and/or trading name, of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). (Subsection 3:102 (2) of the Civil Code);

(r) decisions concerning the changing of the registered seat of the Company (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). (Subsection 3:102 (2) of the Civil Code);

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(s) decisions concerning the cancelling of the registration of the following classified activities within the Company's scope of activity: in accordance with the classification under the new TEAOR '08 (21.10) Manufacture of basic pharmaceutical products; (21.20) Manufacture of pharmaceutical preparations; (20.13) Manufacture of other inorganic basic chemicals (20.14) Manufacture of other organic basic chemicals, or the cessation of any of such activities (90% majority of the votes present at the General Meeting, but at least 45% + 1 vote of all the voting shares). (Subsection 3:102 (2) of the Civil Code)

(t) decision on all matters belonging to the exclusive competence of the General Meeting pursuant to the laws or these Statutes (simple majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares, unless otherwise stipulated by the Statues or by the laws);

(u) decision - unless otherwise stipulated in the Civil Code - on the increase of the registered capital of the Company (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(v) decision - unless otherwise stipulated in the Civil Code - on the decrease of the registered capital of the Company (three quarter majority of the votes present at the General Meeting, but at least 35% + 1 vote of all the voting shares);

(w) decision on the exclusion of the exercise of preferential subscription rights (three quarter majority of the votes present at the General Meeting, but at least 20% + 1 vote of all the voting shares);

(x) (The section has been deleted by the AGM held on April 28, 2009.)

(y) if in any year four or more members of the Board of Directors or three or more members of the Supervisory Board are removed, the removal of the fourth and the subsequent member(s) of the Board of Directors or the third or subsequent member(s) of the Supervisory Board (i) a simple majority of those present in the case of the removal of a member of the Board of Directors, but at least 45%+1 vote of all the voting shares; (ii) 90% majority of the votes present at the General Meeting in the case of the removal of a member of the Supervisory Board, but at least 45% + 1 vote of all the voting shares).

12.2 Decisions on matters belonging to the exclusive competence of the General Meeting shall be decided by the majority of votes set forth in Section 12.1.

12.3 If the general meeting of the Company decides on the delisting of the shares listed on a regulated market, the shareholder whose shares are directly affected by the delisting - except if the shareholder contributed to the approval of the delisting by the general meeting - is entitled to demand within a period of 60 days from the publication of such decision (term of preclusion) that the Company buy its shares for the consideration set forth in Section 63/A of the Capital Markets Act. The offer for sale shall not be withdrawn. [Subsection 63(7) of the Capital Markets Act] The share transfer agreement between the Company and the shareholder making the offer for sale shall be deemed concluded on the last day of the period open for the exercise of the right to sell. [Section 63/A (6) of the Capital Markets Act]

(13) Voting

A. General

13.1 Certification of ownership is not required for the exercise of shareholders' rights; the entitlement is verified by way of the identification of ownership procedure. (Subsection 3:254 (6) of the Civil Code) Pursuant to the identification of ownership initiated by the Company, or in the case of a representative, on the basis of the power of attorney, the Board of Directors shall issue a voting card or another certificate containing an entitlement to vote (the "voting card"). At the General Meeting, shareholder

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rights can be exercised via the voting card. The voting card shall contain the name of and the number of votes entitled to the shareholder or the shareholder's representative.

The Company shall only issue a voting card to a shareholder or shareholder's representative who is registered in the Share Register as the owner of the shares or as the shareholder's representative, or in case of jointly owned shares, as joint representative.

The name of a shareholder, or of a shareholder's representative, who wishes to participate in the General Meeting shall be recorded in the Share Register by the second working day preceding the commencement day of the General Meeting. [Subsection 3:273 (2) of the Civil Code]

In the case of identification of ownership initiated by the Company, if it is in connection with the closing of the Share Register, the keeper of the Share Register delete all the data in the Share Register at the time of identification of ownership and at the same time shall record in the Share Register the data resulting from the identification of ownership. (Section 3:248 of the Civil Code)

Shareholders' rights at the General Meeting may be exercised by the person who is the owner of the shares on the reference date for the identification of ownership and whose name is contained in the Share Register on the second business day before the first day of the General Meeting. (Subsection 3:273 (3) of the Civil Code). The keeper of the Share Register shall ensure the possibility of exercising of the right of registration until 6.00 PM (Budapest time) of the second business day before the first day of the General Meeting.

The closing of the Share Register shall not impede the transfer of shares following the closing of the Share Register by a person registered in the Share Register. The transfer of shares prior to the commencement day of the General Meeting does not exclude the right of a person registered in the Share Register to participate in the General Meeting and to exercise the rights to which he is entitled as a shareholder. [Subsection 3:273 (3) of the Civil Code]

13.2 Subject to the provisions of Section 13.8 hereafter, every share of nominal value HUF 100 entitles its holder to one vote.

13.3 A shareholder shall not be entitled to exercise voting rights prior to having effected full payment of its contribution in cash.

13.4 Shareholders may also exercise their rights at a General Meeting through an authorized representative. One representative may represent several shareholders; however, one shareholder may have only one representative. If the shareholder holds shares that are held on more than one securities account, it may authorize different representatives for each securities account. However, with respect to the shares held by the same shareholder, the votes cannot be different, otherwise all votes of that shareholder are invalid.

Representatives may obtain voting cards if they present authorization contained in an official deed or a private deed of full probative value to the Company at the time and place indicated in the announcement regarding the General Meeting.

In case of doubt, the power of attorney issued by a shareholder shall be valid for one General Meeting, and applies to any continuations of a suspended General Meeting and also any reconvened General Meetings postponed due to a lack of quorum. Members of the Board of Directors, of the Supervisory Board or the auditor shall not be authorized to represent a shareholder at a General Meeting.

The above provisions do not affect the regulations relating to the "shareholder's nominees".

13.5 If the voting is effected by using voting cards, the Board of Directors shall issue to the shareholders (or to the authorized representatives) entitled to vote such number of voting cards that is equal to the number of items on the agenda of the General Meeting, on which voting is required.

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Voting cards shall bear:
- the name of the Company and the class of shares,
- the name of the shareholder,
- the time of the General Meeting,
- the number of votes, and
- clearly indicated spaces for the marking of "yes," "no," and "abstain."

For the calculation of the votes for the adoption of a valid resolution, only the voting cards that are submitted must be taken into account, and only where "yes," "no," and "abstain" (and only one of these) are clearly marked. A voting card marked as "abstain" shall be considered a valid, submitted vote. For the passing of a valid resolution, only voting cards marked "yes" shall be taken into account.

At the General Meeting, the voting shall be effected by handing over the voting cards to the vote counters.

The Board of Directors may decide to implement another method for the vote counting (i.e., using a computer to count votes). In such case, the proper recording of the above mentioned information shall have to be secured.

13.6 A three member commission shall be elected at the beginning of the General Meeting for the purpose of counting the votes. The Chairman of the General Meeting shall nominate members for election to the commission. The Chairman of the General Meeting may not be elected as a member of the commission.

13.7 The result of each vote shall be presented by the commission in a written report duly countersigned by the members of the commission.

B. Limitation on Voting Rights

13.8 At general meetings, a shareholder may not exercise voting rights, for its own account or as the representative of another shareholder, alone or in concert with affiliated persons, in excess of 25% (twenty five percent) of the voting rights attached to the shares held by shareholders present or represented at the general meeting.

C.

13.9 (Deleted on the basis of the resolution of the AGM of April 28, 2009.)

(14) The Board of Directors

14.1 The Board of Directors shall be the Company's managing body. It shall represent the Company with respect to third parties, in court and before other authorities. The Board of Directors shall develop and control the Company's operations and shall exercise employer's rights over the Chief Executive Officer. The Board of Directors shall be comprised of 3 (three) but no more than 12 (twelve) members. The General Meeting shall elect from time to time the members of the Board of Directors for a defined period of time that shall not exceed the term of 5 years.

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The names and data of the members of the Board of Directors are contained within Annex (A) of these Statutes.

14.2 The Chairman and – if the members find it necessary – the Deputy Chairman of the Board of Directors shall be elected from among the members of the Board of Directors by the members of the Board of Directors. The first Chairman of the Board of Directors shall be appointed for a term equal to the term for which the first Board of Directors has been appointed. Subsequently, the Chairman of the Board of

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Directors shall be elected for a term, the duration of which shall be decided by the Board of Directors. The Board of Directors may withdraw the mandate of the Chairman at any time. If for any reason, the Chairman or the Deputy Chairman cease to be members of the Board of Directors, their mandate as Chairman or Deputy Chairman shall be terminated. The Board of Directors shall control the Company's business activities in compliance with the provisions of these Statutes, the resolutions of the General Meeting, and all applicable laws. The remuneration of the members of the Board of Directors shall be determined by the General Meeting.

14.3 The convocation and rules of procedure of the meeting of the Board of Directors:

14.3.1 The Board of Directors shall convene ordinary meetings at least four times a year. The venue, date, time and agenda of such meetings shall be determined by the Chairman of the Board of Directors at his discretion. Members of the Board of Directors shall be notified thereof not less than 8 days before the meeting. The invitation to the meeting of the Board of Directors shall be in writing.

14.3.2 The Chairman of the Board of Directors or, if absent, the Deputy Chairman shall convene the meeting of the Board of Directors if requested by the Chief Executive Officer or by any two members of the Board of Directors jointly. The meeting of the Board of Directors shall be chaired by the Chairman of the Board of Directors or, if prevented from attending, the Deputy Chairman.

14.3.3 If the Chairman and the Deputy Chairman of the Board of Directors are not present at the meeting of the Board of Directors, the members present shall elect a Chairman from among the members of the Board of Directors present.

14.3.4 Two-thirds of the total number of the members of the Board of Directors, but no less than three members, must be present at the meeting of the Board of Directors to constitute the quorum required to pass valid resolutions. The total number of the members of the Board of Directors shall mean the number of the members of the Board of Directors in office at such time.

14.3.5 In lack of a quorum at a Board of Directors' meeting, the Chairman shall convene another meeting to be held within three days from the date of the original meeting. At such second meeting a quorum exists if the majority of the directors in office, but at least three members, are present.

14.3.6 Should the number of the members of the Board of Directors fall below three, an extraordinary General Meeting shall be convened in order to elect new directors.

14.4 The Board of Directors shall have the competence:

(a) to convene an ordinary and extraordinary General Meeting, except in cases defined by the Civil Code;

(b) to prepare proposals relating to the matters specified in Section 12 of these Statutes, in case of a prior approval of the Supervisory Board, to approve such proposals and submit them to the General Meeting; in case of proposals not approved by the Supervisory Board in advance or proposals deviating from the one approved by the Supervisory Board, to send the proposal approved by the Board of Directors to the Supervisory Board again and submit it to the General Meeting;;

(c) to prepare reports on the management, financial situation and business strategies of the Company, and to submit such reports to the General Meeting once a year, and to the Supervisory Board every three months;

(d) to decide on the Company's annual and medium term business plans, to be carried out by the management of the Company;

(e) (i) to decide on any financial matters (excluding commercial transactions), involving expenses, borrowing, the granting of guarantees, or the placing of a financial liability on the Company with a value in excess of two percent (2%) but less than fifteen per cent (15%) of the value of the Company's total assets as determined in the Company's last audited balance sheet;

(ii) to decide on investments and lease-purchases not provided for in the Company's annual business plan, the financial effect of which over one year is in excess of two percent (2%) but less than twenty-five percent (25%) of the value of the Company's total assets, as determined by the Company's last audited balance sheet;

(f) to decide on the acquisition of other companies or a part of their registered/share capital, and/or the foundation of new companies not provided for in the Company's annual business plan, where such transactions have a financial effect over one year in excess of two percent (2%) but less than thirty (30%) of the Company's total assets as determined in the Company's last audited balance sheet, and to make decisions regarding the acquisition of a share interest in another company exceeding 25%;

(g) to determine the scope of authority of the Chief Executive Officer entrusted with the management of the Company;

(h) to approve the Company's internal Organizational and Operational Rules and Regulations and to authorize the Chief Executive Officer to amend parts of the Organizational and Operational Rules and Regulations identified in the resolution of the Board of Directors;

(i) to determine the employees' right to sign on behalf of the Company;

(j) to decide on acquisition of the Company’s own shares (i) if the Company acquires the shares in a court proceeding aimed at the settlement of a claim to which the Company is entitled, or in a restructuring; (ii) if the shares are acquired in order to avoid an imminently threatening serious damage to the Company, except for the case of a public takeover offer aimed at the acquisition of the shares; or (iii) if approved by the General Meeting; to decide on the sale of treasury shares owned by the Company;

(k) to ensure that the books of the company are kept according to the rules;

(l) in the cases set forth in the Civil Code or in the Statues, to accept an interim balance sheet with the prior approval of the Supervisory Board, furthermore to decide on the issuance of bonds, on the increase of the registered capital and on the payment of interim dividends;

(m) to decide on changing the business sites and branch offices of the Company and (with the exception of the main activity and the activities listed in Section 12.1 (s) hereof) the scope of the Company’s activities, and on the related amendment of the Statutes.

The limitations in the value of the transactions as set forth in 14.4 (e) and (f) hereof shall apply to the aggregate value of transactions of the same type carried out within one year.

14.5 Any limitation of the right of representation of the Board of Directors according to the above shall be null and void with respect to third persons.

14.6 The Board of Directors shall pass its resolutions by a simple majority voice vote. At the request of any member of the Board of Directors, the Chairman shall order a secret vote.

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14.7 Members of the Board of Directors shall be liable for any damages caused to the Company by any breach of their obligations in accordance with the provisions of the Civil Code on liability for damages caused by the breach of a contract.

(15) The Chief Executive Officer

15.1. The Board of Directors shall authorize one of its members to control the day-to-day operations of the Company , in any case, for a term of office to be decided by the Board of Directors.

15.2 The Chief Executive Officer shall be personally liable for managing the Company's affairs in accordance with applicable laws and regulations, these Statutes, and the resolutions of the General Meeting and Board of Directors.

15.3 The Chief Executive Officer may, according to the Company's internal Organizational and Operational Rules and Regulations and within the sphere of the internal administration of the Company, delegate his duties and powers to managers and employees of the Company. Such delegation shall be executed by a formal, written instrument specifying the duties and powers delegated. The Chief Executive Officer's delegation of duties and powers may be general or made on a case-by-case basis. However, any limitation of the Chief Executive Officer's sphere of authority arising out of his membership on the Board of Directors shall be null and void with respect to third persons.

15.4 The Chief Executive Officer shall be entitled to decide on any matters that do not belong to the competence of the General Meeting or the Board of Directors.

15.5 The employer's rights over the employees of the Company can be exercised by employees of the Company and persons having an other kind of legal relation with the Company in accordance with the rules set forth in the Organizational and Operational Rules and Regulations.

15.6 The Chief Executive Officer, acting in the interests of the Company, shall enter into agreements, represent the Company with respect to third persons, before courts and other authorities.

15.7 The Chief Executive Officer shall:

- prepare the agenda of the General Meeting and the meeting of the Board of Directors, and shall present proposals and motions for decisions at such meetings,
- implement the resolutions and decisions passed at the General Meeting and control the performance of the undertakings falling within the Company's scope of activities.

15.8 Except for the rights assigned to the General Meeting, the employer's rights over the Chief Executive Officer shall be exercised by the Board of Directors. The Chief Executive Officer may not vote on decisions regarding these matters and on resolutions affecting his person as a member of the Board of Directors.

15.9 The Board of Directors may delegate any of its powers related to the day-to-day management of the Company to the Chief Executive Officer under the terms and conditions set forth at the Board of Directors' discretion. The Board of Directors may withdraw or alter any or all of these powers from time to time. Such delegation shall not affect the responsibility of the Board of Directors.

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(16) The Supervisory Board and the Audit Board

16.1 The Supervisory Board shall be comprised of at least 5 members and shall not exceed nine members.

16.2 The members of the first Supervisory Board shall be appointed by the Founders in the Deed of Foundation for a term of 1 (one) year starting from the date of appointment. Subsequently, the General Meeting shall from time to time appoint the members of the Supervisory Board for a defined period of time that shall not exceed the term of three years. The General Meeting shall not appoint employees of the Company to the Supervisory Board except for the employees' representatives appointed in accordance with Subsection 3:124 (1) of the Civil Code . The members of the Supervisory Board shall elect a chairman from among themselves.

The majority of the members of the Supervisory Board must be independent. A member of the Supervisory Board shall be independent if the member has no other legal relationship with the Company than the membership of the Supervisory Board, or legal relationships which are part of the Company's ordinary activities and aims to fulfill the personal needs of the Board member.

A Member of the Supervisory Board is not independent, if he/she:

a) is an employee or previous employee of the Company for five years following the termination of such legal relationship;
b) carries out activities as an expert or in another mandate legal relationship for the Company or its executive officers and their benefit for consideration;
c) is a shareholder in the Company who directly or indirectly possesses at least thirty percent of the votes or is a close relative [Subsection 8:1 (1) 1. of the Civil Code] or common law spouse of such a person;
d) is a close relative or common-law spouse of one of the Company's – not independent – executive officers or executive employees;
e) is entitled to financial benefits as a member of the Supervisory Board upon the successful operation of the Company, or if he is remunerated by the Company, or by a business affiliated with the Company, in addition to the fee received as a member of the Supervisory Committee;
f) is in a legal relationship in a company with a non-independent member of the Board of Directors or the Supervisory Board, based on which the non-independent party has a controlling right;
g) is the Company's auditor, or is the auditor company's employee or member, for three years following the termination of such legal relationship;
h) is an executive officer or executive employee in a company, in which the independent members of board of directors or supervisory board are executive officers in the Company at the same time.

The names and data of the Supervisory Board members are contained in Annex (A) to these Statutes.

16.3 The duties of the Supervisory Board shall be:

(a) to control the management of the Company;

(b) to examine all substantial business strategy reports on the agenda of the General Meeting, as well as any proposals relating to issues falling within the exclusive competence of the General Meeting. If the Supervisory Board examined the General Meeting proposal submitted to the Board of Directors in advance, and the Board of Directors approved that with unchanged content, another examination by the Supervisory Board is not necessary. The General Meeting may pass resolutions on the consolidated annual report for the previous business year pursuant to the IFRS and the individual annual report for the previous business year , including also the appropriation of the after-tax profits, only if in possession of the written report of the Supervisory Board;

(c) any other duties prescribed by the Civil Code.

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16.4 If, in the course of carrying out its duties, the Supervisory Board becomes aware of any measures in contradiction with the laws or these Statutes or the resolutions of the General Meeting, or if in its opinion the business activities of the Company are contradictory to the interests of the Company or its shareholders, the Supervisory Board shall convene a General Meeting without delay and propose its agenda.

16.5 On the Supervisory Board, employees' representatives shall have the same rights and same obligations as all other members. If the unified opinion of the employees' representatives differs from the majority standpoint of the Supervisory Board, the minority standpoint of the employees shall be stated at the General Meeting.

16.6 The procedural rules (standing orders) governing the Supervisory Board shall be established by the Supervisory Board and approved by the General Meeting.

16.7 The Supervisory Board shall have a quorum if each of its members has been duly invited thereto and at least two-thirds, but at least four of the members are present. If there is a lack of quorum, the meeting shall be postponed. The reconvened meeting shall have a quorum if at least three members of the Supervisory Board - in the ratio defined in section 16.8 hereafter - are present. The Supervisory Board shall pass resolutions by simple majority of those present.

16.8 As long as the number of the Company's full time employees exceeds a yearly average of two-hundred, the employees shall participate in the control of the Company's activities through the Supervisory Board. In such case, one-third of the members of the Supervisory Board shall be comprised of employees' representatives. In the event of an uneven number, such one-third shall be calculated in such a manner which is more favorable to the employees.

16.9 If at the time of adopting the Company's annual report it is determined at the Annual General Meeting that the number of employees dropped below two hundred during the previous financial year, the right of employee representatives to participate in the Supervisory Board shall cease. (Subsection 3:125 (4) of the Civil Code)

16.10 Following a statement of opinion from the trade unions represented at the Company, the employees' delegates on the Supervisory Board shall be nominated by the works council from among the employees. Persons nominated by the works council shall be elected as members of the Supervisory Board by the General Meeting at its first meeting following such nomination, unless statutory grounds for disqualification exist in respect of the nominees. In this case, a new nomination shall be requested.
Failure to delegate such person shall have no effect on the Supervisory Board's operation, provided that all other statutory requirements are satisfied. In that case the seats of employee representatives may not be occupied, however, the supreme body is to elect at least three members for the supervisory board nonetheless. (Subsection 3:125 (2) of the Civil Code).

16.11 The employees' representative who is a member of the Supervisory Board shall inform the employees of the Company through the works council, of the Supervisory Board's activities, - but shall keep the business secrets of the Company.

16.12 Membership of an employees' representative on the Supervisory Board shall also terminate if his labor relationship is terminated. Employees' representatives may only be dismissed by the General Meeting upon the proposal of the works council.16.13.

16.13 A three-member Audit Board operates at the Company, the members of which are chosen from among the independent members of the Supervisory Board by the General Meeting. The Chairman of the Audit Bord is appointed by the Supervisory Board. The audit board members as a whole shall have competence relevant to the sector in which the Company is operating. At least one member of the Audit Board shall have a professional certificate in accounting or auditing. Annex (A) of the present Statutes contains the names and data of the members of the Audit Board.

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16.14 The following matters belong in the scope of competences and tasks of the Audit Board:

a) opinion on the consolidated annual report for the previous year pursuant to the IFRS;
b) opinion on the individual annual report for the previous business year;
c) monitoring the statutory audit of the consolidated and the individual annual report; taking into account any findings and conclusions by the authority in charge of the public oversight of auditors as provided for in Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as "Auditors Act") made during the quality assurance review provided for in the Auditors Act;
d) recommendation regarding the person and remuneration of the auditor;
e) preparation of the agreement to be concluded with the auditor,
f) observing the enforcement of the professional, conflict of interest and independency requirements applicable to auditors – with special regard to compliance with the requirents in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, undertaking the duties in connection with the co-operation with the auditor, monitoring other services provided by the auditor – or if the auditor belongs to a network, members of such network - to the Company or the companies controlled by the Company besides the auditing of the consolidated and individual annual reports, and in case of need, recommendations to the Supervisory Board regarding the arrangements to be carried out;
g) monitoring of the operation of the financial accounting system and submitting recommendations regarding the necessary arrangements where deemed necessary;
h) assistance with the work of the Supervisory Board in the interest of the appropriate supervision of the financial accounting system as well as
i) monitoring the effectiveness of the company's internal control and risk management systems and submitting recommendations where deemed necessary.

(17) The Statutory Auditor

17.1 The Founders shall appoint an Auditor in the Deed of Foundation for a period of 1 (one) year. Subsequently, the General Meeting shall appoint the Auditor from time to time for a defined period of time that shall not exceed the term of five years to the effect that the term of the mandate shall be no less than the time period between the General Meeting that has elected the Auditor and the General Meeting approving the next annual report. If the Auditor is a legal person, the legal person must designate its member, executive officer or employee who shall be personally responsible for the completion of the audit. In the event of such person's prolonged absence, the assistant auditor may be designated to substitute the Auditor who is personally responsible. The name and data of the Auditor is contained in Annex (A) to these Statutes.
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17.2 A person who is registered in the public registry of auditors pursuant to the applicable legislation may be elected as the Company's Auditor. The Auditor shall not be a shareholder or founder of the Company, nor member of the Board of Directors or Supervisory Board, nor a relative of any such member. An employee of the Company shall not be Statutory Auditor during his mandate or for three years following the termination of his mandate as Auditor.

17.3 It is the duty of the Auditor to complete the audit as set forth in the Accounting Act, and primarily to determine, whether the consolidated annual report of the company complies with the International Financial Reporting Standards, whether the individual annual report of the Company complies with the Accounting Act and whether they present a reliable and realistic picture of the Company's financial situation, assets and the results of its operation. The Auditor may not provide services to the Company that could jeopardize the objective and independent completion of above-mentioned public interest tasks. Separate legislation defines the scope of activities that may be pursued by the Company's Auditor, as well as the conditions and limits of services provided. The Auditor may examine the Company's books, documents and accounting records to ensure the completion of the Auditor's tasks, and it may also request information from executive officers, members of the Supervisory Board and the

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Company's employees. The Auditor may examine the Company's bank accounts, customer accounts, treasury, security and goods inventory, accounting books and agreements.

17.4 The Supervisory Board may initiate the Auditor's hearing at a meeting of the Supervisory Board, and at the request of the Supervisory Board, the Auditor is obliged to participate at the meeting of the Supervisory Board. The Supervisory Board shall include an issue on its agenda if that has been recommended by the Auditor. The Auditor may participate with a right of consultation at the meeting of the Supervisory Board. The Auditor may not establish a professional relationship with the management of the Company that may jeopardize the independent and objective completion of the Auditor's tasks. The Auditor shall be invited to the meeting of the Company's highest decision-making body where the annual reports of the Company is discussed. The Auditor shall participate in the meeting, however if the Auditor s absent, the meeting may be held nonetheless. (Section 3:131 of the Civil Code)

(18) Business Year

18.1 The business year shall be the calendar year. The first business year shall commence on the date of the foundation of the Company and shall end on 31 December of the same year.

18.2 Subsequent to the closing of the business year, a consolidated and an individual report shall be prepared with regard to the previous business year.

(19) The Books of the Company and Financial Statements

19.1 The Company shall keep its books in the Hungarian language. The books and other records of the Company shall be kept at the seat of the Company, and shall be available at any time for inspection for the members of the Board of Directors, the Supervisory Board, and the Auditor.

19.2 The members of the Board of Directors shall bear joint and several liability for the preparation of the consolidated and the individual annual report submitted to the General Meeting in accordance with all applicable laws.

19.3 The Company's after-tax profit shall be allocated according to the following principles:

- the General Meeting shall determine the proportion of the Company's after-tax profit to be allocated for profit reserves and for dividend distribution. The General Meeting shall also determine the amount to be withdrawn from the profit reserves for the purpose of dividend distribution, and the actual amount to be distributed as dividends;

- a shareholder shall be entitled to that part of the Company's after-tax profit determined by the General Meeting as a dividend in proportion to his shareholding in the Company. Any dividend that is payable on the company's own shares shall be divided to shareholders entitled to dividends, payable in proportion of the nominal value of their shares;

- the payment of dividends shall commence at least ten (10) business days after the date of the first publication of the announcement containing also the amount of the dividends and based on the resolutions passed by the General Meeting or the Board of Directors on the amount of the dividends and the commencement date of the payment of dividends.

19.4 At the end of each financial year, a consolidated and an individual annual report shall be prepared regarding the Company's assets. The approval of such report shall fall within the exclusive competence of the General Meeting of the Company. The Company's individual interim balance sheet relating to the acquisition of the Company's shares by the Company, the payment of interim dividends and the increase of the registered capital from the Company's assets in excess of its registered capital, may also be approved by the Board of Directors with the prior consent of the Supervisory Board.

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19.5 During the period between the approval of two consecutive individual financial reports, the General Meeting of the Company may resolve to pay interim dividends, if according to the Company's individual interim balance sheet according to the Accounting Act, the company has funds sufficient to cover such interim dividends; the amount distributed does not exceed the amount of available profit reserves shown in the interim balance sheet supplemented with the after tax profits; and the payment of such interim dividends does not result in the Company's adjusted equity capital to drop below its share capital (Section 3:263 of the Civil Code). Upon the payment of an interim dividend, the content of the interim balance sheet can be taken into consideration within six months after the balance sheet date of the interim balance sheet. Within six months after the balance sheet date of the Company's individual annual report, interim dividend may be distributed based on the annual report. Instead of the General Meeting, the Board of Directors shall also be entitled to approve the payment of interim dividends with the prior approval of the Supervisory Board. The rules relating to the payment of dividends shall appropriately apply - with the differences set forth in the Civil Code and in the Statues - for the payment of interim dividends.

(20) Increase in the Registered Capital of the Company, issuing bonds

20.1 Registered capital may be increased:

a) by the issuance of new shares,
b) to the debit of assets in excess of share capital,
c) by the issuance of employees' shares,
d) by the issuance of convertible bonds, as conditional increase of the share capital.

The Company may increase its registered capital by issuing new shares if the nominal or issue value of all shares issued have been paid and any in-kind contributions have been rendered at the disposal of the Company.

If the Company has issued shares belonging to different types or classes, the General Meeting's resolution on the increase of registered capital shall only be valid if the directly affected shareholders of the differing types and classes of shares have also granted their consent for the increase of the registered capital separately for each series, prior to or simultaneously with the resolution on the increase of the registered capital, with a simple majority of the votes present at the General Meeting. In the course thereof, the provisions on any restriction or exclusion of voting rights attached to such shares may not be applied, save where voting rights relating to shares held by the Company are excluded.

20.2 If the registered capital is increased by contributions in cash, the shareholders of the Company, and within this category primarily those shareholders who own shares belonging in the same series of shares as the shares issued, then the owners of convertible bonds and in the same line the owners of bonds with subscription rights - in this order - shall be entitled to a preferential subscription. If the registered capital is increased through a private issuance, the subscription preference right shall be deemed to be a preferential right to receive the shares.

Within 2 (two) days following a resolution on the increase of registered capital by contribution in cash, the Company's Board of Directors shall initiate the publication of an announcement on the Company's homepage to notify the shareholders regarding the possibility to exercise the preferential subscription rights in connection with the registration/receipt of shares, the nominal value and the issue value of the shares to be subscribed, and the starting and closing day of the period of the exercise of such rights, and the way of exercising such preferential rights. The starting date may not be earlier than the day following the publication of such announcement. The Company, in case of a request of a shareholder communicated via e-mail, shall also provide information relating to the conditions of the exercise of the preferential subscription rights via e-mail. In case certain shareholders intend to subscribe for more shares than the number of shares they could actually subscribe for pursuant to their preferential subscription rights, they shall be entitled to subscribe for such further shares in the proportion of the

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nominal value of their previously owned shares, provided that in case of a fraction - independently of the value of such fraction - the number of the shares any given shareholder may subscribe for, shall be rounded down.

The General Meeting - on the basis of the Board of Directors' written proposal - may exclude the exercise of the preferential subscription rights. In such a case, the Board of Directors shall present, in this proposition, the reasons for the exclusion of the exercise of the preferential subscription rights and the planned issue value of the shares. In its reasoning, the Board of Directors shall present the advantages to the Company arising from the exclusion of the exercise of the preferential subscription rights. The rules relating to the consideration of the proposal are the same as the general rules relating to the consideration of proposals presented to the General Meeting. The General Meeting shall vote regarding the exclusion proposal simultaneously with the vote regarding the proposal relating to the increase of the registered capital. The Board of Directors shall submit to the Court of Registration the resolution of the General Meeting, and shall simultaneously arrange for the publication of an announcement regarding the contents of the resolution in the Company Gazette.

If the increase of the registered capital is carried out through a private issuance of new shares for in-kind contribution, the persons entitled to receive such shares shall be indicated in the resolution deciding on the increase of the registered capital. The category and the class, the number, the series, the nominal and issue value of the shares to be received by such persons shall also be indicated in such resolution.

If the increase of the share capital is carried out through a private issuance of new shares for cash contribution, the persons entitled - to the extent the persons entitled to exercise preferential rights to receive shares have not exercised such rights, or the General Meeting has excluded the exercise of such rights - to receive such shares shall be indicated in the resolution. The category and the class, the number, the series, the nominal and issue value of the shares to be received by such persons shall also be indicated in such resolution. (On the basis of Subsection 3:296 (2) of the Civil Code) Upon the public issuance of shares, the resolution of the General Meeting regarding the increase in registered capital shall not specify the group and person of future shareholders taking part in the increase in registered capital. Persons wishing to acquire the new shares shall undertake to pay the consideration due for the shares and become entitled to receive the shares pursuant to the registration proceedings as set forth in the legislation applicable to securities.

The Company may increase its registered capital by its assets in excess of registered capital, or a part thereof, if, according to the balance sheet of the individual annual report prepared for the previous financial year or to the interim balance sheet of the year, the Company has sufficient funds in excess of the share capital, which can be used for increasing the share capital, and if the Company's resulting registered capital does not exceed its adjusted equity capital shown inthe Company’s individual balance sheet. The annual report or the interim balance sheet may be taken into consideration for determining the size of funds in excess of the share capital within the six-month period following the balance sheet date. (Section 3:300 of the Civil Code).

20.3 The Board of Directors is, for a period of five (5) years from April 28, 2010 entitled to increase the Company's registered capital by a maximum of twenty-five percent (25%) per year. The largest amount by which the Board of Directors may increase the Company's registered capital within five years shall be HUF 38,239,604,000 that is, thirty-eight billion two hundred and thirty-nine million and six hundred and four thousand Hungarian Forints, thus the amount of the approved registered capital shall be HUF 56,877,090,000 that is, fifty-six billion eight hundred and seventy-seven million and ninety thousand Hungarian Forints.

If the Company has issued shares belonging to different types or classes, the General Meeting's resolution on the temporary transfer of the competence relating to the increase of the registered capital shall be valid only if the shareholders of the differing types and classes directly affected by the increase in the registered capital have also granted their consent for the temporary transfer of such competence separately, prior to or simultaneously with the resolution on the increase of the registered capital, with

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a simple majority of the votes present at the General Meeting. In the course thereof, the provisions on any restriction or exclusion of voting rights attached to such shares may not be applied, save where voting rights relating to shares held by the Company are excluded.

If an increase of the Company's registered capital is declared and successfully implemented by the Board of Directors, the Board of Directors shall be obliged to amend these Statutes.

(21) Foundation Expenses

The Founders agree that any costs and stamp duties in connection with the foundation of the Company shall be borne by the Company.

(22) Termination of the Company

22.1 The Company shall be terminated if:

(a) the General Meeting resolves its termination without legal successor;
(b) the General Meeting resolves its termination with legal succession (transformation, merger, demerger);
(c) the court of registration terminates it based on the causes set forth in the Act on Company Registration and Winding-up Proceedings);
(d) the legislation so provides;

22.2 If the Company is terminated without legal successor, the assets of the Company remaining after the claims against the Company have been satisfied, shall be distributed among the shareholders on the basis of the their payments and contributions in kind actually provided, in proportion to the face value of their shares.

(23) Applicable Law, and the Procedure for Settling Legal Disputes

23.1 Matters not provided in these Statutes are governed by the provisions of the Civil Code, the Capital Market Act and Act XXIV of 1988 on Foreign Investments in Hungary (as amended).

23.2 The Permanent Court of Arbitration attached to the Hungarian Chamber of Commerce and Industry shall have exclusive jurisdiction and competence to decide any a) all legal disputes based on a company law relationship between the Company and its shareholders, including excluded shareholders or shareholders who have otherwise parted ways with the Company; b) legal disputes in connection with the Statutes or the operation of the Company between shareholders in their legal relationships; c) any dispute between the Company and its executive officers or Supervisory Board members, arising out of their office or membership in the Supervisory Board, and d) the review of resolutions adopted by the General Meeting. The Court of Arbitration shall apply its rules of procedure and appoint a panel comprised of three arbitrators. The members of the panel or its chairman may be foreign individuals. (Subsections 3:92 (1) and (2) of the Civil Code)

23.3 The venue of the Court of Arbitration shall be Budapest.

23.4 The language of the proceedings of the Court of Arbitration shall be Hungarian.

23.5 Throughout the proceedings before the Court of Arbitration, the parties are mutually obliged, at the request of any one of the adverse parties to give the Court of Arbitration and the adverse party copies of the legal documents in both English and Hungarian.

23.6 In case of legal dispute, applicable law shall be Hungarian law.

(24) Announcements, Advertisements

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24.1 Announcements and advertisements of the Company shall be published on its homepage. Furthermore, if required by law, announcements shall be published in the Cégközlöny (the official gazette of the Hungarian Courts of Registration). In addition thereto, as long as the shares of the Company are traded on the Budapest Stock Exchange (BSE), those announcements required by the BSE shall be published in a manner as set forth by the BSE.

(25) Miscellaneous

25.1 Addresses and notice: The address for receiving notice for every shareholder or shareholder's representative shall be the address listed in the Share Register. The Company bears no responsibility if a shareholder or a shareholder's representative does not communicate a change of address to the Company in a timely manner. In the context of these Statutes, any announcements or notices shall be made in writing and in Hungarian, and in English for those foreign shareholders or shareholder's representatives listed in the Share Register. In the absence of differing provisions in the present Statutes, notice shall be conclusively presumed by the parties to have been made if such notice is delivered personally, sent by courier, registered mail, facsimile, or telegram, and simultaneously, a notice is sent via registered mail with a copy of the registration receipt enclosed. In every case, the sender shall bear the cost of delivery. Where a legal statement made in writing has been sent by way of post, it shall be considered received - if sent to a resident recipient - at the point in time indicated on the notice of receipt, and in the case of registered mail on the fifth working day following dispatch, in the absence of proof to the contrary.

25.2 Headings: The headings contained in this Statute are solely for the purpose of convenience. They are not to be considered as part of these Statutes, and do not control, expand, nor limit the scope or meaning of any term contained in these Statutes.

25.3 In cases where these Statutes mention a certain ratio (percentage) of shareholders, the portion of the shares represented by the shareholder(s) shall be understood.

Date: Budapest, April 15, 2021.

törölt: 28

törölt: 2020

I hereby countersign on the basis of Section 51(3) of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings the Statutes of Chemical Works of Gedeon Richter Plc. which were prepared by me and are consolidated with the amendments of Section 14.1 as well as Annex (A) provided for by resolutions no. [..] and [..] passed by the Board of Directors acting in the competence of the Annual General Meeting (based on Subsection (1) of Section 5 and Section 9 of the decree no. 502/2020 (XI.16.) of the Government of Hungary on the re-introduction of the deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency) on April 15, 2021.

törölt: *s*

törölt: *12*

törölt: *(g), 14.4 (b) and (h), 16. 3 (b),*

törölt: *9-12*

törölt: *, 16-20*

törölt: *23*

törölt: *102*

törölt: *IV*

törölt: *10*

törölt: *28*

törölt: *2020*

12.

Report of the Board of Directors on the treasury shares acquired by the Company based upon the authorization in resolution No.15/2020.04.28. of the Board of Directors acting in competence of the AGM

Report of the Board of Directors on the treasury shares purchased on the basis of the authorization granted by Resolution No.15/2020.04.28. of the Board of Directors acting in competence of the AGM

On 28 April 2020 the Board of Directors acting in competence of the AGM has authorized the Company to purchase its own common shares (treasury shares) with an aggregated nominal value not exceeding 10% of the registered capital.

Furthermore, the Board of Directors acting in competence of the AGM authorized the use of the purchased treasury shares for the following purpose:

- 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 employee and executive incentive system.

Based on the authorization, in order to satisfy such needs the Company purchased 225,138 treasury shares on the stock exchange and 19,177 outside the stock exchange during the year.

It has been and is the Company's intention to allocate treasury shares to its executives and employees in the context of its incentive policy.

The Company has been operating two share incentive programmes in 2020 described in detail below. Besides these programmes, further 9,715 shares have been transferred during the year to employees showing outstanding performance in the interest of the Company's successful operation.

Employee Participation Program (EPP)

The aim of the establishment of the Richter EPP in 2018 is to strengthen the performance and loyalty of the titleholders and key employees of the Company through the sharing the success of the Company. In 2020, the Company transferred 247,462 treasury shares to the EPP Organisation under the EPP Organisation's Remuneration Policy II, followed by 245,641 treasury shares under Remuneration Policy III.

Programme Related to Employee Share Bonuses

In accordance with its employee share scheme regulated by Section 77/C. of the Act on Personal Income Tax, in 2020 the Company allocated 277,947 treasury shares to 4,783 employees. The shares will be deposited until 2 January 2023 on the employees' securities accounts kept with UniCredit Bank Hungary Ltd.

Budapest, 10 March 2021

Gábor Orbán

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.: 36/2021

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 2022 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.: 37/2021

The Board of Directors proposes to the AGM to approve the **re-election** of **Bálint Szécsényi** as Member of the Board of Directors for a period of 3 (three) years expiring on the AGM in 2024.

The Board of Directors has approved the resolution with the majority of the votes, abstained by Bálint Szécsényi.

Resolution of the Board of Directors No.: 38/2021

The Board of Directors proposes to the AGM to approve the **re-election** of **Dr. Anett Pandurics** as Member of the Board of Directors for a period of 3 (three) years expiring on the AGM in 2024.

The Board of Directors has approved the resolution with the majority of the votes, abstained by Dr. Anett Pandurics.

Resolution of the Board of Directors No.: 39/2021

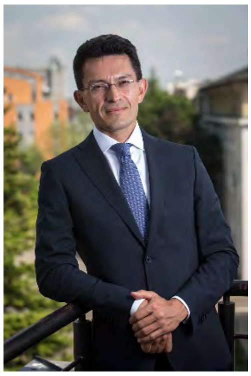
The Board of Directors proposes to the AGM to approve the **election** of **Dr. Nándor Pál Ács** as Member of the Board of Directors for a period of 3 (three) years expiring on the AGM in 2024.

The Board of Directors has approved the resolution beside three abstentions (Dr. Anett Pandurics, Bálint Szécsényi, Csaba Lantos) with the majority of the votes.

<u>Resolution of the Board of Directors No.: 40/2021</u>

The Board of Directors - based upon the minority shareholder's written motion submitted by the MNV Zrt. (Hungarian National Asset Management Inc.) as representative of the Hungarian State - proposes to the AGM to approve the **election** of **Dr. László Szabó** as Member of the Board of Directors for a period of 3 (three) years expiring on the AGM in 2024.

The Board of Directors has approved the resolution beside one abstention (Dr. Gábor Gulácsi) with the majority of the votes.



Name: Bálint Szécsényi

Equilor Investment Ltd., Chief Executive Officer, member of the Board of Directors

Central-Eastern European Private Equity and Venture Capital Management Ltd- Chief Executive Officer

Birth: Budapest, 24th August 1974

Education:

1993-1998: Budapesti University of Economics
Faculty of Finance

Professional Experience:

2020 – GTC SA (Poland) – Member of the Supervisory Board
2018 – Gedeon Richter Plc. – member of the Board
2011-2015 Budapesti Stock Exchange vice-chairman, member of the Board
2010- Equilor Investment Ltd, Chief Executive Officer
2005-2009 Equilor Investment Ltd, Managing Director
2002-2004 Equilor Investment Ltd., Corporate Finance Director
2000-2002 Equilor Investment Ltd., Corporate Finance Partner
1999-2000 Procent Investment Ltd., FX trader
1998-1999 Bankár Investment Ltd., futures trader

Other positions:

Budapesti Corvinus University – Foundation of the Faculty of Corporate Finance – member of the advisory board
Equilor Asset Management Ltd – Chairman of the Supervisory Board

CURRICULUM VITAE

Personal Data

Name: Dr. Pandurics, Anett (PhD)
Date of birth: May 26, 1973

Academic summary

1987-1992 Táncsics Mihály High School, Kaposvár

1989/90 USA, Texas, Lamar High School (11months)

1992-1998 Budapest University of Economic Sciences (BUES, today under the name of Corvinus University of Budapest), Faculty of Business Administration, Special fields: Organization and Management,

1997/98 CEMS-scholarship, Universität zu Köln (5 months)

2018 - Corvinus University, Budapest, PhD; Field: strategic management.

1994-1998 Research and Teaching Assistant, Department of Business Economics (teaching Business Economics and Operations Management, participating in the *Competing with the World* research project, etc.).

1993-1998 Rajk László College for Advanced Studies
- member 1993-1998, member of the Student Board, member oft he Admission Committee, Member of the Academic Committee
- lecturer: Theory of the firm (1998/99 and 1999/2000)
- academic senior (1998/99)

- Teaching activity (BKE, BKÁE): Management Control (1998-2001), Managing Value-creating Processes (1998-99), Organization behavior (2001), Managing Public Organizations, seminar for theses preparation (2001-2007), lectures at Corvinus University (2008-), Strategic management MBA (2008-) - SZIE, ÁVF
- Translation (1998) - Kaplan, Robert S.-Norton, David P.: The Balanced Scorecard, KJK
- Reviewing (2000): Kaplan - Cooper: Költség & hatás, Panem, (Cost & effect)
- Regular lecturer at conferences in the following topics: from 2001 to 2005-ig – SCM, strategic management, postal sector, logistics, from 2005 predominantly insurance, taxation, strategic management

Language knowledge - Native Hungarian
English advanced state examination in the special language of economics, TOEFL
German intermediate state examination in the special language of economics
Russian intermediate state examination

Recognitions

1993/94 Academic Competition of Statistics: 1st place
1993/94 Academic Competition of Business Economics: 1st place
1998 Outstanding student prize at the Rajk László College for Advanced Studies
1998 Heller Farkas Prize at the Rajk László College for Advanced Studies
1998 Pro Universitas Prize
1999 Pro Scientia Medal
2013 Muzsay Géza Insurance Award

Scientific Student Conference

1995 - Section of Business Economics - 1st prize - ”The effect of the quality of transportation on the inventory practices of Hungarian firms”
1996 - Section of Management & Organization - 1st prize - ”Integrated inter-company relationships”

1997 - Section of Management & Organization - 1st prize - „Performance appraisal at a Hungarian Insurance Company"
1997 - Section of Management Control- 1st prize - „The Balanced Scorecard"
1997 - National Scientific Student Conference: Management - 1st prize –"Integrated inter-company relationships"
1998 - Section of Management & Organization – 3rd prize? . "The effect of IT on organizational forms"

Work experience
1995 USA (Vermont) Camp Billings, financial assistant
1996 Betonútépítõ Rt. - analysis of the management accounting system
1997 Argosz Rt. - feasibility study for performance appraisal system
1997- IFUA Horváth & Partner - trainee
1997/1998- program assistant at the Second and Third Faculty Development Seminar (ISC)
1998 Consultant at IFUA Horváth & Partner Ltd
Took part in the following projects: Matáv Rt., Fővárosi Vízművek Rt., Richter Gedeon Rt., Zeiss CAZE Kft,, Prodax Kft. , Magyar Posta Rt., BKV Rt, Gazdasági Minisztérium)

2001.01.01-2001.03.30.: Debis IT Services Ltd. – senior consultant, BPR- project leader (Westel Rt. – Reengineering of customer relationship management processes)

2001.04.01 – 2005.03.30.: Magyar Posta Rt. - Strategic Coordination Director

- Area of responsibility: strategic planning, strategic project management, organizational development, business process management, quality management, performance measurement, EU-preparation, business policy.
- Former President of the Board at Logért (a small company in the field of logistics) in 2002 managing the exit process
- From 2002 also a member of the Board of the two insurance JVCs (Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt.) founded by Hungarian Post Co and Talanx AG

2005.04.01. – today: Magyar Posta Biztosító & Életbiztosító Zrt. (Hungarian Post Insurance and Life Insurance Co) CEO and Chair of the Board
Direct responsibility areas:
2005 - today: sales, marketing, HR, legal, finance-accounting-tax, controlling, audit, compliance
2005-2017: asset management and quality management

Richter Gedeon Nyrt. – member of the Board from 2018 April
MOL Group – member of the Supervisory Board and the Audit Committee from 2019 June

Current social roles

- *Association of Hungarian Insurance Companies* (MABISZ) Board Member (2009-), Deputy president (elected from 2010), President from 2013 (elected -)
- Member of the Editorial Board of the *Financial and Economic Review* (Hitelintézeti Szemle)
- Member of the Editorial Board of *Economics and Finance* (Gazdaság és Pénzügy)
- President of the Editorial Board of *Insurance and Risk* (Biztosítás és Kockázat)

Former social roles

- President of the Supervisory Board of *Bolyai Műhely Alapítvány (from 2011 to 2019)*
- VOSZK - President 2010-2016, member of the Board 2016-2019 (Alumi Board of the Rajk Special College)
- *MentorProgram* (Bankárképző) Mentor from 2014 to 2019

Hobbies
reading, tennis, skiing

CURRICULUM VITAE

PERSONAL INFORMATION

Name:	**Nándor Pál Ács, M.D., Ph. D.**
Birthdate:	July 22, 1968.
Birthplace:	Budapest, Hungary
E-mail:	acs.nandor@med.semmelweis-univ.hu

EDUCATION

1986 - 1992	Semmelweis University Medical School Budapest, Hungary
1992	M.D. degree, No.: 58 / 1992.

POSTGRADUATE EDUCATION

1996	Board examination in Obstetrics and Gynecology
2003	Board examination in General Surgery
2005	Board examination in Clinical Pharmacology
2001	Ph. D. degree No.: 423 / 2001. Theses: "The effects of hormone replacement therapy on cardiovascular regulation"
2002	MBA – health economics

PROFESSIONAL APPOINTMENTS

1992 - 2003	Assistant Prof. in Obstetrics and Gynecology at the 2nd Department of Obstetrics and Gynecology, Semmelweis University Medical School, Budapest, Hungary
2003-	Associate Professor at the same department
2007-	Deputy head at the same department
2013-	Full Professor, Head of Department
2015-	Vice President of the Clinical Centre, Semmelweis University
2019-	Vice Dean of the Medical School, Semmelweis University

PUBLICATIONS

Total	427
Chapters in books	18
Books	2
Impact factor	166,036
Citations	1938
Hirsch index:	23

MEMBERSHIPS IN SCIENTIFIC ORGANIZATIONS

Hungarian Health Professional College, Division of Obstetrics and Gynaecology
Hungarian Academy of Sciences, Committee of Operative Clinical Sciences
Hungarian Society of Gynecologists, Treasurer
European Association of Gynecology and Obstetrics
European Menopause and Andropause Society
International Menopause Society
Hungarian Menopause Society
Hungarian Society of Gynecologic Endocrinology
Hungarian Society of Surgery
Hungarian Society of Gynecologic Oncology
Hungarian Society of Gynecologic Endoscopy
Hungarian Society of Cervical Pathology and Colposcopy
Hungarian Society of Perinatology
Hungarian Society of Osteoporosis and Osteoarthrosis
Hungarian Society of Senology

CLINICAL STUDIES

More than 15 clinical studies (Phase II, III, IV) performed as PI (contraception, endometriosis, menopausal complaints, gynaecological infections, gynaecologic oncology, etc.)

LANGUAGES

Hungarian, English, Italian, German

Dr. László Szabó

Place and date of birth:	Debrecen, 13 June, 1965
Marital status:	Married, with three children

Professional Experience

MEDIAWORKS HUNGARY ZRT., BUDAPEST,
www.mediaworks.hu

President and CEO	**from April 15th 2020**

MINISTRY OF FOREIGN AFFAIRS AND TRADE, HUNGARY
www.kormany.hu

Ambassador of Hungary to the United States, Washington, DC	**2017-2020**
Deputy Minister, Parliamentary State Secretary	**2014-2017**
State Secretary for Foreign Affairs and Trade	**2014**

TEVA HUNGARY LTD., BUDAPEST,
www.teva.hu

Chief Executive Officer	**2010-2014**

ELI LILLY AND COMPANY, INDIANAPOLIS, IN.
www.lilly.com

Vice President, China, HR	**2010**
Senior Director, Human Resources, Global Medical, Regulatory, and Patient Safety	**2008-2010**
General Manager Hungary	**2003-2007**
Director, Human Resources, Central and Eastern Europe, Africa, Middle-East	**2001-2003**
Country Manager, New Zealand and the South-Pacific	**1999-2000**
HR Associate and Team-leader, United Kingdom	**1998-1999**
Sales manager, Wales, UK	**1997-1998**
Marketing Co-ordinator and Product Manager, Hungary	**1994-1997**
Medical Sales Representative	**1993-1994**

MEDICAL UNIVERSITY, DEBRECEN, HUNGARY (DEOEC)
http://aok.unideb.hu

General Physician, 1st Department of Surgery	**1990-1993**

Education & Certifications

MEDICAL UNIVERSITY, DEBRECENI HUNGARY (DOTE)
http://aok.unideb.hu/

Doctor of Medicine, Debrecen Medical University, Hungary	**1990**

Affiliations

Hungarian Chamber of Physicians	1990 to present
Member of the Board of Directors of RMI (Researched Medicines Industry Association) in New Zealand	1999-2000
Corporate Leadership Council (CLC)	2001 to present
Co-Chair of the local American Working Group of PhRMA in Hungary	2004-2007
Member of the Board, Association of Innovative Pharmaceutical Manufacturers (AIPM) in Hungary	2005-2007
Member of the Board, Association of Hungarian Pharmaceutical Manufacturers	2010 to 2014
Member of the Economic Committee, University of Debrecen	2011 to 2014
Member of the Investors' Committee of AmCham	2011 to 2014
Member of the Innovation Advisory Board at the Ministry for National Economy	2012-2013
Summa Artium Hungary Award, Maecenas of Debrecen Award	2012, 2013
Gold Cross of Merit of Hungary	2013

15.

Election of members of the Supervisory Board
and of the Audit Board

Proposal to Item No.:15
on the Agenda of the AGM

Resolution of the Board of Directors No.: 41/2021

The Board of Directors proposes the AGM to approve the **re-election** of **Dr. Attila Chikán** as Member of the Supervisory Board for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

Resolution of the Board of Directors No.: 42/2021

The Board of Directors proposes the AGM to approve the **re-election** of **Prof. Dr. Jonathán Róbert Bedros** as Member of the Supervisory Board for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

Resolution of the Board of Directors No.: 43/2021

The Board of Directors proposes the AGM to approve the **election** of **Dr. Zoltán Matos** as Member of the Supervisory Board for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

<u>Resolution of the Board of Directors No.: 44/2021</u>

The Board of Directors proposes the AGM to approve the **election** of **Dr. Lívia Pavlik** as Member of the Supervisory Board for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

<u>Resolution of the Board of Directors No.: 45/2021</u>

The Board of Directors proposes the AGM to approve the **election** of **employee representative Dr. Krisztina Gál** as Member of the Supervisory Board appointed by the Company’s employees for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

<u>Resolution of the Board of Directors No.: 46/2021</u>

The Board of Directors proposes the AGM to approve the **election** of **employee representative Péter Müller** as Member of the Supervisory Board appointed by the Company’s employees for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

<u>Resolution of the Board of Directors No.: 47/2021</u>

The Board of Directors proposes the AGM to approve the **election** of Supervisory Board members **Dr. Attila Chikán, Dr. Zoltán Matos** and **Dr. Lívia Pavlik** as Members of the Audit Board for a period of 3 years expiring on the AGM in 2024.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

DR. ATTILA CHIKÁN

Professor of the Corvinus University of Budapest, Business Economics Department. Manager of the Competitiveness Research Centre, corresponding member of the Hungarian Academy of Sciences. Between 2000 and 2003 Rector of the Budapest University of Economics and Public Administration. From 1998 to 1999 Minister of Economy, Chairman of the Supervisory Committee since 2000. Member, Chairman of Audit Committee.

PROF. DR. RÓBERT JONATHÁN BEDROS

Physician, health economist, honorary associate professor. Graduate of Semmelweis Medical University. Head physician and general director of the Ministry of Interior’s Central Hospital and Institutions from 1999 to 2005, and of Pest County Flór Ferenc Hospital from 2006 to 2011. Currently head physician and general director of Szent Imre Hospital. Joined the Committee in 2012. Member of the Audit Committee.

CURRICULUM VITAE

PERSONAL DATA

Name:	**dr. MATOS, Zoltán**
Date of birth:	**5th March, 1967**
Family status:	**married, 3 children**
Nationality:	**Hungarian**
E-mail:	**dr.zoltan.matos@gmail.com**

EDUCATION

1986-1990	**Budapest University of Economics,** *MBA*
1993	*University doctorate*
1987-1990	**Rajk László College**
2010	**Kormányzati Személyügyi Szolgáltatási és Közigazgatási Képzési Központ** (Government Personnel Services and Administration Training Center) *Public administration certificate*
2009	**Neosys Kft**., coaching training *coach certificate*

SCHOLARSHIP

Summer 1988	**Alte Leipziger Lebensversicherung,** Frankfurt/Oberursel (D) *10 week internship*
10.1990-08.1991	**University of Mannheim** (D) *studies in Organization theory, Corporate finance, Controlling*
Summer 1993	**KU Leuven** (B) *5 week studies in Management of Public Organizations*

LANGUAGE SKILLS

Hungarian	- mother tongue
English	- fluent
German	- fluent

WORK EXPERIENCE

05.2015-	**CYEB Energiakereskedő Kft**., Szentendre (energy sales) *CFO*
10.2014-08.2018	**Olimpia Kerékpár Kft**., Budapest (bycicle manufacturing) *CFO (part-time)*
04.2014-04.2015	**MET Services Kft.**, Budapest *Managing Director*
04.2013-03.2014	**MET Holding AG**, Zug (CH) (energy sector) *Group CFO* **MET Services Kft**., Budapest *Managing Director*
11.2010-03.2013	**MOL Energiakereskedő Zrt.**, Budapest (energy sector) *CFO*
09.2009-06.2010	**Hungarian Energy Office**, Budapest *President*
07.2003-03.2009	**E.ON Hungária Zrt.**, Budapest (energy sector) *Member of the Board of Directors (finance/IT/process management)*
07.1999-06.2003	**E.ON Hungária Rt.**, Budapest (former Bayernwerk Hungária) *Group CFO*
09.1997-06.1999	**Bayernwerk Hungária Energetikai Rt.**, Budapest *Group Head of Controlling*
04.1996-09.1997	**Pécsi Sörfőzde Kereskedelmi Kft.**, Pécs (brewery)

Managing Director

06.1995-09.1997	**Pécsi Sörfőzde Rt.**, Pécs (brewery) *CFO, Member of the Management Board*
061994-06.1995	**Stollwerck-Budapest Kft.**, Budapest (confectionery sector) *Head of Controlling*
06.1994-1999	**Budapest University of Economics,** Department of Management and Organization *part-time instructor*
07.1990-06.1994	**Budapest University of Economics,** Department of Management and Organization *Assistant professor*

OTHER POSITIONS

09.2018-	**Corvinus University of Budapest** – *honorary associate professor*
07.2014-	**Dunamenti Erőmű Zrt**. – *Member of Supervisory Board (SB)*
08.2013-	**Judit Polgár Chess Foundation** – *Member of Advisory Board*
05.2011-05.2019	**Hungarian Chess Federation** – *Member of Presidency*
2003-08.2010	**E.ON Tiszántúli Áramhálózati Zrt**. – *Member of SB*
2003-08.2010	**E.ON K-dunántúli Gázhálózati Zrt.** – *Member of SB*
2007-08.2010	**E.ON D-Dunántúli Gázhálózati Zrt.** – *Member of SB*
12.2002-12.2007	**ÉDÁSZ / E.ON Észak-dunántúli Zrt.** – *Member, Chairman of Board of Directors*
05.2004-10.2006	**FŐGÁZ Zrt.** – *Member of Board of Directors*

CONSULTING EXPERIENCE

1990-1994	**IFUA Horváth & Partner Kft.**, **Wallis Rt.**, **MHB Invest Rt.** – *external consultant in several corporate consulting projects (strategy, outsourcing, controlling, organization design)* **References:** Richter Gedeon Rt., KÖZÉV Rt., MŰÁRT Rt., MOL Rt. Dunai Finomító, Uniontext Kft., Nagyatádi Konzervipari Rt., Hajdúsági Iparművek, Hungária Biztosító Rt., Pharmafontana

Curriculum vitae

Personal information

Last name / Surname	**Pavlik Lívia Ph.D**
Address	H-2120 Dunakeszi, Gutai János u. 9.
Phone number	06 (30) 703-4237
Fax	
E-mail	livia.pavlik@semmelweis-univ.hu
Nationality	Hungarian
Date of birth	12. 08. 1969.
Marital status	married with two children

Professional experience

Higher education

Management activity

Occupation/title	**Semmelweis University - Chancellor**
Period	**01.01.2020 – currently**
Occupation/title	Corvinus University Budapest – Chancellor
Period	15.11.2014 – 31.08.2020
Occupation/title	Corvinus University Budapest – acting Director for economic affairs
Period	16.04.2014 – 14.11.2014.
Occupation/title	Corvinus University Budapest – acting Deputy director for economic affairs
Period	17.11.2014 – 15.04.2014.

Occupation/title	Közgáz Campus – Campus Director
Period	01.01.2013 – 15.04.2014
Occupation/title	BCE Közgáz Campus, Economic Committee Member
Period	2009 – 31.12.2012
Occupation/title	BCE Faculty of Business Administration, Faculty Board Member
Period	2009 – 15.11.2014
Occupation/title	BCE Faculty of Business Administration, Vice-Dean for economic affairs
Period	2008 – 31.12.2012
Higher education	
Academic activity	
Primary occupation	
Professional field	**Higher education**
Employer	**Corvinus University Budapest**
Period	**1993 – currently**
Period	**2002 – currently**
Academic rank	**associate professor**
Period	2001 – 2002
Academic rank	assistant professor
Period	1993 – 2001
Academic rank	assistant lecturer
Secondary occupation	
Professional field	**Public administration**
Employer	**Ministry for Innovation and Technology**
Period	**01.10.2018 – currently**
Occupation/title	**Ministerial Commissioner**
Professional field	Higher education
Employer	University of Kaposvár

Period	2006 – 2010
Occupation/title	Associate professor (part-time)

Other higher education activities

Professional field	Higher education
Employer	Hungarian Chamber of Auditors
Period	2001 – currently
Occupation/title	Licensed trainer

Other forms of employment

Professional field	auditing, accounting services, education / higher education
Company	Manocash Kft.
Period	2000 – currently
Occupation/title	CEO and Board Member (2000–2009), Board Member (2009–currently (51%))

Professional field	auditing activity
Company name	Unikontó Kft.
Period	2009 – 2015
Audited companies	Synergon Nyrt. and members of Synergon Group
Consigning auditor	Synergon InfoCom Kft. and Synergon InfoRend Kft. (fiscal year of 2013)

Other professional activities

Professional field	accounting services, consulting, regulation
Period	1993 – 2004
Enterpreneurial/business activities	Neumann Ház – audit (team member) (2004) Magyar Villamos Művek Rt – charts of account (team member) (1999) Bábolna Rt. – consolidated reporting (team member) (1998.) Magyar Villamos Művek Rt – consolidation scope development (team member) (1997.) Budapesti Tejipari Vállalat – charts of account (1993.)

Memberships of the Supervisory Board and the Board of Directors

Employer	Molekuláris Ujjlenyomatkutató Nonprofit Kft.

Period	2020 - currently
Occupation/title	Chairman of the Supervisory Board
Employer	Magyar Egyetemi és Főiskolai Sportszövetség
Period	2020 - currently
Occupation/title	Chairman of the Supervisory Board
Employer	Máv Vasútőr Kft.
Period	2010 – 2010
Occupation/title	Chairman of the Supervisory Board

Education

Highest level of education	***University***
Institution	**Budapesti Közgazdaságtudományi Egyetem (Budapesti Corvinus Egyetem)**
Period	1988 – 1993
Qualification	Degree in economics, G-240/1992-93. (05.11.1993)
Main subjects / practical training	Management / accounting, accounting teaching, and marketing
High school education	
Institution	Jókai Mór Közgazdasági Szakközépiskola, Pápa
Period	1983 – 1987
Qualification	qualified accountant, corporate planner and statistician 16/A/1987. (10.07.1987)

Academic degree

Végzettség / képesítés	**Ph.D** 43/2001 (02.08.2002)
Institution	**Budapest University of Economics and Public Administration (Corvinus University Budapest)**
Period	1995 – 2002
Main subjects / practical training	Business and Management sciences

Other qualifications

Qualification	**Okleveles könyvvizsgáló és adószakértő** OK 0019/03 (2003. december 2)
Institution	Hungarian Chamber of Auditors

Period	1999 - 2003
Main subjects / practical training	Law, Organization and Management, Finance, Accounting and Analysis, Accounting, Auditing
Qualifications	Certified Public Accountant Based on economics diploma G-240/1992-93. (05.11.1993)
Institution	Budapest University of Economics and Public Administration (Corvinus University Budapest)
Period	1988 – 1993

Memberships in professional organizations

Professional organization	**Social Science Committee of the Hungarian Accreditation Board** professional expert
Period	2012 – currently
Academic field	Business and Management sciences
Professional organization	**Hungarian Chamber of Auditors**
Active membership	2009 – 2014 April
Paused membership	2014 May – currently
Membership card number	007091 Registered CPA
Professional organization	**Register of accounting services provided by the Ministry of Finance (Ministry of National Economy)**
Period	2003 - currently
Membership card number	136788 CPA in entrepreneurial field

Language skills

Native language	Hungarian
Other language(s)	English C1 – general advanced level

	GH010-14922 (12.10.2011)
	ELTE Idegennyelvű Továbbképző Központ
	English – professional intermediate level
	018/95-Ph.D (12.06.1996) Index
	Budapest University of Economics and Public Administration (Corvinus University Budapest)
	Russian – professional intermediate level
	N 2690812 0405/88 (31.05.1991) Index
	Budapest University of Economics and Public Administration (Corvinus University Budapest)

Awards

Title	University Gold Medal
Conferring institution	Corvinus University Budapest (2017)
Title	University Commemorative Medal
Conferring institution	Corvinus University Budapest (27.09.2012)
Title	Professor of the year 2011
Conferring institution	Corvinus University Budapest (06.06.2011)

Personal skills and competence

Social skills and competences	Excellent communication and organizational skills
Computer user skills and competences	MS softwares user level (Word, Excel, Power Point) User-level knowledge of some accounting and auditing software
Specific higher-education systems	Unified Institutional Management System (SAP-based Financial and HR modules, Neptun educational software, Poseidon filing system)
Interest, leisure activities	Sport, Hiking, Travel
Driver's license	B category

Additional information

Detailed presentation of educational and research activities

Education experience

2006 – currently	*Bologna course manager* Bsc. Financial accounting Special accounting issues Msc. Taxation of companies, control of their budget relations Audit of budgetary bodies and budget support
2002 – 2010	*Pre-Bologna course manager* Full-time programs (Accounting I-IV. subjects)
1999 – 2008	BKÁE, Economic Postgraduate Institute *instructor - basics of accounting, managerial accounting* Management and organization major
1998 – currently	BKÁE, Manager Training Institute *instructor - basics of accounting, managerial accounting* MBA course (in Hungarian) Telecommunication MBA course IT management course
2001 – 2002	BKÁE, Actuary training (Insurance Teaching and Research Group - Insurance Accounting)
1995 – 2006	BKE, Part-time University Programs (course manager) course manager – *Accounting I-IV. subjects*
1994 – 1998	BKE, Engineer and lawyer economist training *course manager – basics of accounting, managerial accounting*
2001 – currently	*Licensed trainer of the Hungarian Chamber of Auditors* Certified Auditor Training - Accounting and Analysis Compulsory in - service training system for certified accountants
1997 - 2000	*Deloitte and Touch Könyvvizsgáló Kft. (regular annual training)*
1992 - currently	**Taught subjects** Basics of Accounting Business Accounting Management Accounting Financial Accounting Compilation and Analysis of Annual Accounts Compilation of Consolidated Financial Statement International Accounting – IFRS – deferred taxation IFRS - Accounting of Financial Instruments Analysis of Financial Statements Taxation

Scientific work

Conferences, Scholarships

2018	*2nd Danube Conference for Higher Education, Budapest, 2018.* *Topic: The Challenges of the Legal Envinronment and Financial Management at Hungarian Public Universities*
2017	*1st Danube Conference for Higher Education, Ulm, 2017. november 2-3* *Topic: The New Management System of Hungarian Public Universities – Dual Leadership*
2016	*Emberi erőforrások Minisztériuma – Magyar Controlling Egyesület:* *Corvinus University Budapest* *Presentation topic: Strategic and operational controlling in higher education*
2005	Számvitel Oktatók és Kutatók Konferenciája Corvinus University Budapest Presentation topic: Changes in rules for derivatives in IFRSs
2002	Számviteli minikonferencia Budapesti Közgazdaságtudományi és Államigazgatási Egyetem Presentation topic: Recognition of deferred taxes in the separate annual report
1998	50 éves a Budapesti Közgazdaságtudományi Egyetem, Jubileumi Tudományos Ülésszak Presentation topic: Economic effects of deferred taxes (presentation of an empirical study)
1997	*international scholarship* Canfield University, England számvitel és management programjának résztvevője
1995	*international scholarship* Wirtschaftsuniversitat Wien, Austria (1995 April) (CEMS) programjának résztvevője
1995	Wirtschaftsunivesitat Wien, Austria (1995 May) tudományos konferencia résztvevője

Research activity

2012 –	Management and control in higher education
2004 –	Management accounting - cost calculation
2004 – 2012.	Accounting of financial instruments
2002 – 2010.	Domestic accounting regulations in the light of international accounting standards and EU directives
1995–2001.	Budapest University of Economics Business Administration Ph.D.
	Economic effects of deferred taxes and accounting for them in the annual accounts

Dissertation: Title of Ph.D. Dissertation - Economic effects of deferred taxes and accounting for them in the annual accounts

Publications

1996

Baricz Rezső - Bosnyák János - Gyenge Magdolna - Kissné Becsei Annamária - Lukács János - Mikáczó Éva - Pavlik Livia - Szabóné Veres Tünde - Hős Attila - Malasics András - Párizs Lajos (1996): *Számvitel és elemzés.* Kutatási jelentés. FEFA V. 202/1. sz. projekt, Budapest.

1997

Baricz Rezső - Bosnyák János - Gyenge Magdolna - Kissné Becsei Annamária - Mikáczó Éva - Pavlik Livia - Szabóné Veres Tünde - Hős Attila - Kardosné Birkás Anikó - Malasics András - Párizs Lajos (1997): *Számvitel I.Számvitel I.*. Számvitel tanszék, Budapest. 323 p. o.

1998

Pavlik Livia (1998): *Látens adó felvételének és kezelésének lehetőségei az egyedi beszámolókban.* In: Temesi József(szerk): *50 éves a Budapesti Közgazdaságtudományi Egyetem.* Budapesti Közgazdaságtudományi Egyetem, Budapest. p. 55-72. o.

2000

Pavlik Livia (2000): A halasztott adók nemzetközi szabályozása és közgazdasági hatásai. *Számvitel – Adó – Könyvvizsgálat* 1., p. 4-7..

Pavlik Livia (2000): *A halasztott adók közgazdasági hatásai és számviteli elszámolása az éves beszámolóban.* Doktori (Ph.D.) értekezés. Budapesti Corvinus Egyetem, .

2001

Pavlik Livia (2001): A halasztott adók hatásáról. *Számvitel – Adó – Könyvvizsgálat* 2., p. 73-77..

Pavlik Livia (2001): Jogi, számviteli és adózási kérdések az idegenforgalomban. *Számvitel – Adó – Könyvvizsgálat* 4. , p. 156-160..

2002

(2002): *Munkavállalók juttatásainak elszámolása; Egyes ágazatokra vonatkozó különös számviteli szabályok.* In: dr. Török Hilda(szerk): *Nemzetközi számvitei standardok - Magyarázatok és alkalmazások.* Perfekt Kiadó, Budapest. p. 705-736, p. 889-952 o.

2004

László Norbert - Szabóné Veres Tünde - Serfőző Gyula - Pavlik Livia - Mikáczó Éva - Joó Ágnes - Gyenge Magdolna - Gulyás Éva - Filyó Janka - Bosnyák János - Baricz Rezső - Kissné Becsei Annamária - Lukács János - Párizs Lajos - Kardosné Birkás Anikó - Hős Attila (2004): *Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.* Aula Kiadó, Budapest. 1-146. o.

2005

Szabóné Veres Tünde - Bosnyák János - Filyó Janka - Gulyás Éva - Gyenge Magdolna - Joó Ágnes - Kissné Becsei Annamária - László Norbert - Lukács János - Mikáczó Éva - Pavlik Livia - Serfőző Gyula - Baricz Rezső - Hős Attila - Párizs Lajos - Kardosné Birkás Anikó (2005): *Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.* Aula Kiadó, Budapest. 1-146. o.

2006

Bosnyák János - Lakatos László Péter - Gyenge Magdolna - Székács Péterné - Pavlik Livia (2006): *Az IFRS-ek rendszere.* In: Boros-Bosnyák-Kováts(szerk): *Az IFRS-ek rendszere.* MKVK OK, Budapest. p. 265-290 o.

Adorján Csaba - Lukács János - Róth József - Pavlik Livia - Lakatos László Péter - Hadi László - Lőrinczi Gyula - Csákiné Fodor Anna - Pölöskei Pálné - Lucz Zoltánné (2006): *Kötelezettségek a Nemzetközi Pénzügyi Beszámolási standardokban.* In: Róth József(szerk): *Mérlegképes továbbképzés 2006.*. Magyar Könyvvizsgálói Kamara Oktatási Központ Kft., Budapest. p. 69-80 o.

2007

Székács Péterné - Pavlik Livia - Gyenge Magdolna - Bosnyák János (2007): *Vezetői számvitel.* házi sokszorosítás, Budapest.

Szabóné Veres Tünde - Baricz Rezső - Bosnyák János - Filyó Janka - Gulyás Éva - Gyenge Magdolna - Joó Ágnes - Kissné Becsei Annamária - László Norbert - Lukács János - Mikáczó Éva - Pavlik Livia - Serfőző Gyula - Hős Attila - Kardosné Birkás Anikó - Párizs Lajos (2007): *Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.Könyvviteltan (Számvitel I. tárgy) Szemináriumi és gyakorló feladatok.* AULA Kiadó, Budapest. 1-163. o.

2012

Dr. Pavlik Lívia: *A BCE gazdasági teljesítményének alakulása 2008-2011 között, különös tekintettel a karok gazdasági teljesítményére; alcím: A Gazdálkodástudományi Kar piaci versenyelőnyei mennyiben mutatkoznak meg a gazdasági-pénzügyi teljesítményében* (Műhelytanulmány) TÁMOP Versenyképesség kutatás Műhelytanulmánysorozat kötete;BCE Versenyképesség Kutató Központ; Kiadásért felelős: Chikán Attila igazgató; ISNN 1787-6915

2015

Dr. Pavlik Lívia: *Önköltségszámítás az államháztartási számvitel új szabályozási keretei között. Sajátosságok a felsőoktatásban.* Pénzügyi Szemle 2015/1. p.63-78.

2016

Dr. Pavlik Lívia: *Átalakítás a hazai felsőoktatásban. Az eredményszemlélegű és a pénzforgalmi szemléletű számvitel keretei között.* Pénzügyi Szemle 2016/2.. p.229-247.

2017

Dr. Pavlik Lívia: *Verseny, menedzsment, controlling a közszférában. Az operatív controlling vezetéstámogató szerepe a felsőoktatásban.* Pénzügyi Szemle 2017/1.. megjelenés alatt

Budapest, 23.03.2021

Dr. Krisztina Gál (1969)

Head of Proprietary R&D Coordination Department since 2021. Researcher, biologist. Graduated in 1992. Started to work as immunologist at the „Frédéric Joliot-Curie" National Research Institute for Radiobiology and Radiohygiene. IPMA (International Project Management Association) certificated project manager. With Richter since 1999 in different positions at the Research Directorate: researcher, project leader, K&F project coordinator, Deputy Head.

Péter Müller (1981)

Economist, logistic, ADR advisor and lean process engineer. With Richter since 2005. Formerly Material department leader at the Synthetic 1. plant, Dorog. Currently deputy head at the Department of warehouse Dorog site. Member and Vice-chairman of the Works Council since 2018.

16.

Resolution on the remuneration of the members of the Board of Directors

Proposal to Item No.:16
on the Agenda of the AGM

Resolution of the Board of Directors No.: 48/2021

The Board of Directors proposes to the AGM to approve the honoraria for the members of the Board of Directors for 2021 effective as of January 1, 2021 according to the following:

Chairman of the Board of Directors:	HUF 730,000/month
Members of the Board of Directors:	HUF 610,000/month/member

Amundi Alapkezelő Zrt. (Amundi Fund Management Plc.) as a shareholder – relating to the outstanding results of the Company in 2020 – initiate that the chairman and the members of the Board of Directors shall receive reward equalling to their two months honoraria according to the following:

Chairman of the Board of Directors:	HUF 1,417,950
Members of the Board of Directors:	HUF 1,179,900/member

The Board of Directors proposes the AGM to approve the above stated.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

17.

Resolution on the remuneration of the members of the Supervisory Board

Proposal to Item No.:17
on the Agenda of the AGM

Resolution of the Board of Directors No.: 49/2021

The Board of Directors proposes to the AGM to approve the honoraria for the members of the Supervisory Board for 2021 effective as of January 1, 2021 according to the following:

Chairman of the Supervisory Board:	HUF 610,000/month
Members of the Supervisory Board:	HUF 440,000/month/member

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.: 50/2021

The Board of Directors - based upon the motion of the Audit Board - proposes the AGM to approve the honoraria amounting to **HUF 27.9 million + VAT** for **Deloitte Auditing and Consulting Ltd.** for its performance as auditor of the Company in 2021. The honoraria includes the fee for the auditing of the 2021 consolidated annual report, the fee for examining the consonance between the consolidated annual report and business report for 2021, the fee for the auditing of the 2021 non-consolidated annual report, the fee for examining the consonance between the non-consolidated annual report and business report for 2021, 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 consolidated interim financial statement which shall be completed on the accounting date of August 31, 2021.

The Board of Directors has approved the resolution unanimously, without a vote against and abstention.

19.

Miscellaneous