Sustainability Report

2012-2013

GEDEON RICHTER

Company name:	Chemical Works of Gedeon Richter Plc.
Shareholders:	Hungarian State Holding Company (MNV Zrt.) 25%, domestic shareholders 6%, international shareholders: 69%
Registered office:	1103 Budapest, Gyömrői út 19–21.
Permanent establishment, Dorog:	2510 Dorog, Esztergomi út 27.
Number of employees:	11,647 (in Hungary: 5,051)
Main product groups:	gynaecological, cardiovascular, anti-ulcer and central nervous system products, muscle relaxants
Total sales revenue:	EUR 1,184 million
Profit from operations:	EUR 153.5 million
Profit after tax:	EUR 143 million
Earnings per share (EPS):	EUR 0.77
Dividend per ordinary share:	EUR 0.19

The above data relate to the year 2013. A detailed account of our economic performance is given in the section entitled Our Business Results.
When choosing who to define as our stakeholders we took into account the economic, social and environmental aspects that are relevant in terms of our present and future operation. When identifying the stakeholders with a material influence over the company's economic performance, we also took into account the current practices relating to sustainability, the feedback collected on stakeholder expectations, and the relevant sectoral best practices and benchmarks.

The issues, data and information that came to light during our meetings with the stakeholders constitute a part of our report. We ascribe special importance to the information received from our employees and shareholders, and from doctors and pharmacists, obtained through the roadshows and Scientists' Clubs, the Richter Health City program, the Richter for Women program launched in 2011, the Health Days held for senior citizens, our network of reference pharmacies that has been operating since 1994, and informal meetings with our other stakeholders.

By incorporating the information thus obtained into our report, we create an opportunity for stakeholders to learn more about our activity, and to assist in understanding the impacts of such activity.
When compiling our report we also used data from the Application Level B report for 2010-2011, which was prepared on the basis of the G3 Reporting Guidelines.
Our 2012-2013 report is the first in which we also describe not only the social participation of our manufacturing subsidiaries, but also their activities related to environmental protection and safety technology. We collected our data and are now publishing it on the basis of the GRI G3 Reporting Guidelines. Our subsidiaries' business data are stated in our consolidated financial report.

We present our business data in accordance with the requirement of the act on accounting. Our environmental and health-and-safety-at-work data are obtained from the internal database systems that are controlled by our resource management systems, which have multiple certification.
The report has been prepared on the basis of the Global Reporting Initiative – GRI G3 Reporting Guidelines.

Application level: B

We do not currently plan to have the report externally assured.

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Annexes

Dear Partner, Dear Employee, Dear Reader,

Our company has adopted the definition of CSR issued by the European Commission in 2011, which states that corporate social responsibility is “the responsibility of enterprises for their impacts on society”. This responsibility places us under an obligation to evaluate and present our sustainability performance to our employees, investors, the analysts, our business partners, suppliers, customers, non-governmental organisations and our partners.
Established in 1901, Richter is the only domestic pharmaceutical company, with a decisive European presence today, that has been able to retain its independence. Our company operates without any foreign strategic investor, under Hungarian management.

As a company that takes a long-term view, we are committed to conducting high quality research and development activity, and through this we always offer our consumers the best and most advanced products possible. We are also committed to offering our products at an affordable price, while bearing in mind the need to ensure the company’s sustainable operation, and to making the knowledge and information necessary for preventing diseases as widely available as possible.

The next breakthrough point for the pharmaceutical industry will come from biotechnology, which is why we have invested almost HUF 25 billion in establishing our plant in Debrecen, with the capability of producing biosimilar protein products using biotechnology techniques, creating some 120 new jobs. Our objective is to create a competitive product line that will help us expand our domestic and international product portfolios with compounds that represent high added value.
Our avowed aim is that Gedeon Richter Plc. should become a ‘speciality pharma’ company in the future.

Going forward, we will continue to place considerable emphasis on ensuring our compliance with the highest standards of corporate social responsibility. We have internal processes in place that ensure we integrate social, environmental, ethical and human-rights considerations into our business activities, in close cooperation with our stakeholders. During our operations, we aim to achieve a balance between responsibility and competitiveness.

Our Sustainability Report for the years 2012-2013 gives an insight into our business results, our corporate social responsibility and our role undertaken in protecting the environment during the latest reporting period.

We are confident that our company, which is constantly developing, will remain able to adapt to the market environment in the future and will continue to be a key participant in the Hungarian and international pharmaceutical industry.

Erik Bogsch
Managing Director

Dear Reader,

When producing this, our fourth Sustainability Report, we once again applied the applicable international standards. This method makes it possible to track the changes that have taken place over the years, and to compare our activity with that of the other pharmaceutical manufacturers in the sector who prepare their reports on the basis of similar guidelines.

The sources of our data and information have not changed since the first report. Our business data are group-level, consolidated data. This is the first report to contain a description of the environmental activities of our manufacturing subsidiaries operating abroad (in Poland, Russia, Romania and India).

In the past two years Richter, while retaining its position in Hungary, has grown into a European multinational company. An important objective for us is to further increase our market presence all around the world, and to continuously expand our product offering. To this end we are carrying out major investments, but at the same time we also plan to ensure the Richter Group’s dynamic growth through the broadening of strategic partnerships established in the field of marketing and sales.

Richter is the largest Hungarian pharmaceutical manufacturer. It has a market network that extends to five continents, 29 representative offices, and 35 sales and wholesale companies. Support for our activity is provided by a total of seven subsidiaries and joint ventures engaged in manufacturing and development. Our company has a widely recognised brand and a well-established sales network in Hungary, Central and Eastern Europe, the CIS countries and Western Europe.

Our CSR activity permeates every level and specialist area of the Richter Group’s operation.

As a part of our efforts to educate society about health, we continued to run the Richter Health City program of events, launched in 2009, and we are constantly improving the various elements of this initiative. The program places the rationale for remaining healthy in a broader context, highlighting the importance of prevention and promoting a deepening of health-aware thinking. The high rate of attendance at the Health City venues proves that the program is fulfilling its intended purpose.

Our company treats the impact of its operation on the environment as a matter of key importance.

Environmental considerations are incorporated into research and development activities, technological processes and investment decisions, as we comply with and enforce environmental standards.
Our employees are among our most important stakeholders. We are committed to ensuring a safe working environment, and we give our employees every opportunity to acquire professional skills and competencies.

We support educational institutions, typically those active in the training of chemists, pharmacists and doctors. As far as our resources allow, we provide extra support for the professional development of students with an interest in healthcare and the natural sciences.

Our activity was recognised through various awards during the reporting period, including the following:

– MagyarBrands 2012

The Richter and Kalmopyrin brands earned MagyarBrands status in 2012. MagyarBrands is a professional title awarded as part of a scheme that aims to rate and showcase the best domestic brands.

– **Hungarian Donors' Forum (MAF) Social Investments Award, 2012 special award, for the Richter Health City program**

The MAF Social Investments Award is the only award, among those awarded in recognition of the corporate social responsibility of domestic companies, that focuses on CSR programs that are specifically related to social investment, and which during the judging process gives priority to the shared value created for society and the company, and to the results and impact achieved.

– For a clean and well-organized Kőbánya, 2012

The aim of the award is to motivate the different institutions and firms residing in Budapest's Kőbánya district to create well-arranged environments. Two of the companies' facilities were recognised with the award.

– Bisnode Reliability Award, 2013

Bisnode has rated companies on the basis of their risk internationally since 1908. The Bisnode rating can assist in checking the reliability of companies. Reliability confirmed with a Bisnode rating is a byword for long-term sustainability, and is also indicative of business excellence and high standards of quality.

– Most Attractive Employer 2013, 8th place

Richter attained the prestigious 8th position on the Most Attractive Employers list for 2013. This ranking, which is unique in Hungary, was compiled on the basis of the Employer Brand Research jointly conducted by Aon Hewitt and AIESEC. The companies were ranked on the basis of a survey of students in higher education, career starters and employees with several years of experience, regarding their labour market expectations and opinions formed about the companies.

– Prizma Award, 2013

Richter's Golden Mum Award 2013 won first prize in the Project of the Year category of the Prizma Creative Awards.

Earning and retaining the trust of our stakeholders is of particular importance to our company. We aim to ensure that every aspect of our operation is underpinned by ethical conduct and principles. We have a legal responsibility to comply with the legal requirements, but beyond this we have a moral obligation to comply with social norms.

We believe that well-founded financial results and ethical business conduct exist in close correlation with one another.

It remains our objective to develop the most effective possible products, offer them to our consumers at affordable prices and to maintain our market stability. We aim to do this in a way that is open and transparent for society.

30 June 2014

1901	The pharmacist Gedeon Richter (1871-1944) files an application to purchase the business rights to the Sas Pharmacy in Budapest. We regard this date as the birthday of the Richter factory.
1906	Gedeon Richter purchases a 3,525 square-metre plot in the Kőbánya district of Budapest, for the purpose of constructing a manufacturing facility, and after receiving its permit from the authorities the factory begins production in 1907.
1908	The first foreign representative office is established in Italy.
1923	The company is transformed into a family company limited by shares under the name of Gedeon Richter Chemical Works, with a share capital of 50 million korona. The first foreign subsidiary is established in Zagreb.
1925	A bio-assay laboratory is set up, the first of its kind in the Hungarian pharmaceutical industry.
1931–1935	The company establishes ten subsidiaries abroad.
1939	The company is commandeered as a military plant.
1942	Gedeon Richter is dismissed from his post as managing director due to the anti-Jewish laws; indeed, for a time he is even barred from the factory.
1944	In view of his merits the authorities permit Gedeon Richter to continue working as a consultant; then in August 1944 he is granted exemption from the anti-Jewish laws. Following the German occupation the company's board of directors resigns, and professional managers take over the running of the factory. Gedeon Richter does not leave the country, despite having a Swiss passport. At the end of December 1944 he and many others are rounded up and shot into the river Danube by a squad of Arrow Cross militiamen.
1945	The company's board of directors is re-elected, and a works committee is set up to represent workers' interests, and is given a role in governing the company. Professional continuity is represented on the board of directors by former technical director Lajos Pillich.
1948	The company is nationalised, and the decades-long era of the planned economy begins.
1949	The factory's reconstruction works are planned.
1950	Reconstruction of the factory begins.
1951	The Richter brand name is removed from the company name. The company's new name is Kőbánya Pharmaceutical Factory.
1954	The Vitamin B12 manufacturing plant is inaugurated in Soroksári út, Budapest.
1967	The Dorog Carbon Processing Chemical Industry Corporation is merged into Kőbánya Pharmaceutical Factory.
1972	A Vitamin B12 plant is built in Vapi, India, under the management of the joint venture Themis Chemicals Ltd.
1979	The Pharmacological Research Centre is built.
1989	The waste incineration joint venture in Dorog commences operation. The newly built Biotechnological Research Centre is handed over.

1990 Gedeon Richter Chemical Works Plc is re-established with a Hungarian professional management team.

1993 A presence is established in the CIS market. The Ukrainian-Hungarian joint venture is founded under the name of Gedeon Richter Ukrfarm, and the Russian joint venture Pharmarichter is launched.

1994 Richter is the first pharmaceutical company in the region to have its shares listed in a public offering. The privatisation process gets underway, leading to a gradual reduction in the state's ownership share in the company. The Richter reference pharmacy network is established.

1995 The next stage of the privatisation process is implemented, in which the state's shareholding falls to 43.6%.

1997 Another stage in the privatisation process is successfully carried out, with a raise in capital through the issue of a million new shares. The state's ownership share falls to 25.2%.

1998 Gedeon Richter Plc. purchases the predecessor of Gedeon Richter Romania, the Armedica factory in Târgu Mureș, from the Romanian state.

1999 The Hungarian Award for Services to Hungarian Chemistry Education is founded. The Gedeon Richter RUS factory commences operation in Russia.

2001 The company celebrates its 100th birthday. The Professor Rátz Lifetime Achievement Award is founded.

2002 A new member of the Richter Group is the GZF Polska pharmaceutical factory, today known as Gedeon Richter Polska. The Gedeon Richter for Hungarian Healthcare Foundation is established.

2004 In a private offering the State Privatisation and Holding Company (ÁPV Rt) issues bonds that can be exchanged for the state-owned Richter shares, maturing in 2009. This arrangement ensures that the state retains a 25% stake in the company for five years. Under the name of Richter-Themis Medicare, a new company that primarily manufacturers active ingredients is established in India.

2005 The Biotechnology Experimental Pilot Plant is handed over.

2006 The Large Technological Testing Laboratory is handed over.

2007 The company's research scientists move into the newly built Chemical Research and Office Building. In Germany the Richter-Helm biotechnology joint venture is established, which also operates a state-of-the-art production plant.

2009 When the convertible bonds issued in 2004 mature, MNV Zrt. issues new bonds that are exchangeable for Gedeon Richter shares. The Hungarian state's aim in retaining the shares is to ensure Richter's strategic independence for another five years.

2010 In a round of new acquisitions, the company purchases the Swiss company PregLem and the gynaecological division of the German Günenthal.

2012 The Biotechnology Plant in Debrecen is put into operation.

2013 The scope of the company's pharmaceutical manufacturing licence is extended to include the activities conducted at the units in Debrecen that manufacture active ingredients and injectable products. Expansion in Latin America begins.

Outside the domestic market our company supplies active ingredients and end products to more than a hundred countries around the world through its own marketing network. It has a widely recognised brand and well-established sales network in Hungary, Central and Eastern Europe and the CIS countries. By the end of 2011 we had set up our medical representative and marketing network in Western Europe, to support the presence of the company's gynaecological products in this region too. Our company supplies products to the USA in the framework of strategic partnership contracts and long-term supply agreements. We have strengthened our presence in the Chinese market, where we now operate a 225-strong network of medical representatives. An important market in terms of our future is Latin America: for the purpose of selling our gynaecological products we have established joint ventures in Brazil and Mexico.

By the end of 2013 Gedeon Richter Plc. had evolved into a specialised pharmaceutical company that builds on innovation, headquartered in Hungary. Our activities are vertically integrated: we are engaged in pharmaceutical manufacturing, research and development, and sales and marketing.

Among the manufacturers in Hungary, and in the Central and Eastern European region at large, Gedeon Richter Plc. spends the most on research and development, on average 12% of its sales revenue. HUF 38.8 billion in 2012, and HUF 42 billion in 2013. Besides its original research (central nervous system, gynaecology), our research and development base, with a staff of almost 1,000, also develops generic and biotechnology products.
With regard to original research, Richter, as the region's most significant pharmaceutical research centre, places the emphasis on the three-factor combination of innovation, technological standards and speed. Its outstanding innovation activity has earned it awards on numerous occasions.

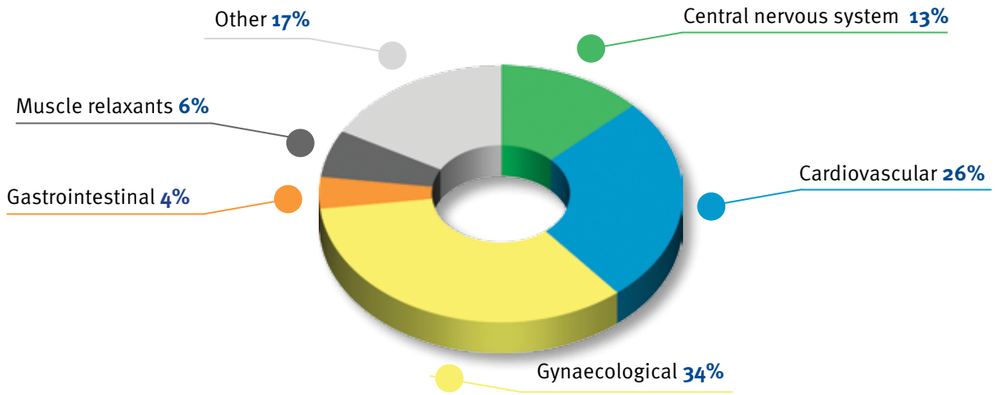
Richter in Hungary manufactures around a hundred different types of medicinal product, in more than 170 formulations. The updating of the product portfolio continued during the reporting period with the launch of the following new products:

New products launched in Hungary in 2012-2013

PRODUCT	ACTIVE INGREDIENT	THERAPEUTIC AREA
AMLATOR	amlodipine + atorvastatin	cardiovascular, anti-hypertensive, cholesterol reducer
BELARA	chlormadinone + ethynil estradiol	gynaecological, oral contraceptive
TANYDON	telmisartan	cardiovascular, anti-hypertensive
ESMYA®	ulipristal acetate	gynaecological, uterine fibroid
REZIA	drospirenone + 20 mcg ethynil estradiol	gynaecological, oral contraceptive
LORDESTIN	desloratadine	respiratory, anti-allergenic
ZILOLA	levocetirizine	respiratory, anti-allergenic
VIDONORM	amlodipine + perindopril	cardiovascular, anti-hypertensive
MISTRAL	dienogest + 30mcg ethynil estradiol	gynaecological, oral contraceptive
ZOLEDRON SAV INFÚZIÓ	zoledronic acid	oncological
OPHYLOSA	zinc hyaluronate	ophthalmic
MIRVEDOL	memantine	central nervous system, Alzheimer's disease
TANYDON HCT*	telmisartan + hydrochlorothiazide	cardiovascular, anti-hypertensive
DIPANKRIN Forte	pancreatinum	gastrointestinal, digestive aid

*manufactured under licence

Products by therapeutic area (2013)



Leading products (2013)

PRODUCT	ACTIVE INGREDIENT	THERAPEUTIC AREA
Oral contraceptives	hormones	gynaecological, oral contraceptive
CAVINTON	vinpocetine	central nervous system, nootropic
MYDETON/MYDECALM	tolperisone	muscle relaxant
PANANGIN	asparaginates	cardiovascular, cardiology
LISOPRESS	lisinopril	cardiovascular, anti-hypertensive
VEROSPIRON	spironolactone	cardiovascular, diuretic
LISONORM	lisinopril + amlodipine	cardiovascular, anti-hypertensive
GROPRINOSIN	inosine pranobex	anti-viral
AFLAMIN*	aceclofenac	non-steroidal anti-inflammatory
QUAMATEL	famotidine	gastrointestinal, anti-ulcer

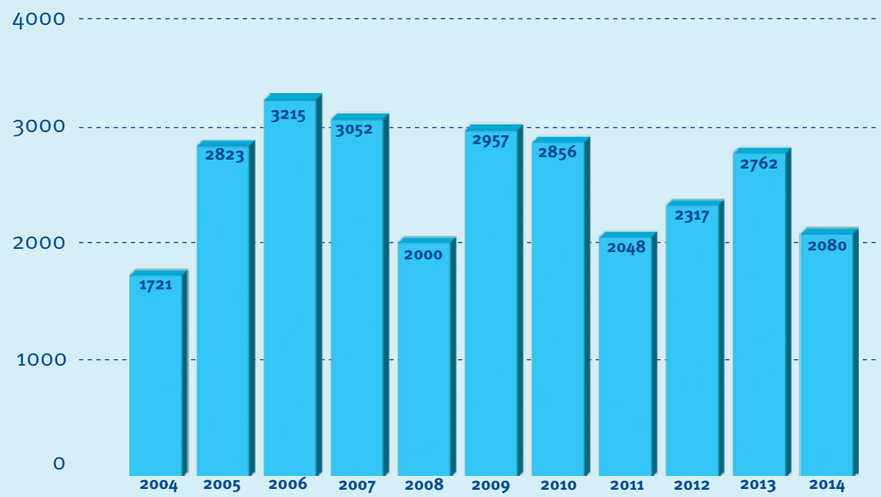
*manufactured under licence

Stock-market presence

Our company was transformed into a joint-stock company as the first step in the privatisation process, in 1990. Richter's registered shares were first listed on the Budapest Stock Exchange on 9 November 1994. In the same year, our company was the first in the Central and Eastern European region to list its shares on the London SEAQ.

The company's stock market value followed the trend in share prices, and thus by the end of 2013 it stood at HUF 820 billion, having thus risen by 21.5 percent in forint terms in comparison to the 31 December 2012 figure. Expressed in euro, the stock market value on 31 December 2013 was EUR 2.8 billion, or 21.7 percent higher than the EUR 2.3 billion figure of the end of 2012.

Market capitalization (EUR million)



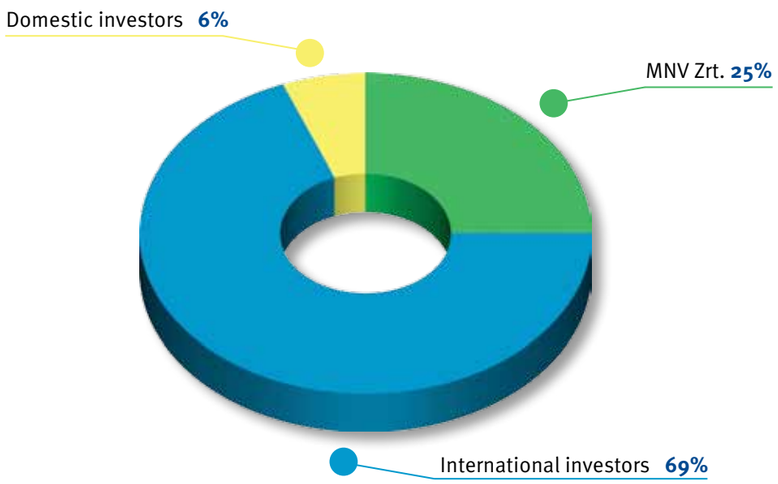
Ownership structure

Some 25 percent of the shares continue to be owned by Hungarian State Holding Company (MNV Zrt.). The share of domestic investors had dropped slightly to 6 percent, and the proportion of foreign investors came to 69 percent at the end of 2013.

Richter's ownership structure

	31 DECEMBER 2013	
	ordinary shares (number of shares)	share capital (%)
Domestic ownership	58,018,177	31.13
MNV Zrt. (Hungarian State Holding Company)	47,051,548	25.25
Municipality	1,164	0.00
Institutional investors	4,679,654	2.51
Retail investors	6,285,811	3.37
International ownership	128,161,933	68.77
Institutional investors	127,526,848	68.43
of which: Aberdeen Asset Management Plc.	37,179,620	19.95
of which: Skagen Kon-Tiki Verdipapirfond	10,116,722	5.43
Retail investors	635,085	0.34
Treasury shares	166,778	0.09
Undisclosed ownership	27,972	0.01
Share capital	186,374,860	100.00

Ownership structure (2013)



The Company's Operation

Our company, in keeping with the standards of ethical business conduct, and in compliance with the statutory and authority requirements, follows the Corporate Governance Recommendations of the Budapest Stock Exchange.

The company's operation is defined by its Statutes and its Organisational and Operational Regulations. In addition to these essential documents, day-to-day operations are further regulated by the resolutions of the Board of Directors and the General Meeting, regulations (in respect of individual processes), directives issued by the managing director, deputy managing director and directors, and by circular letters.

The company's supreme decision-making body is the **General Meeting**, which comprises all shareholders. The Annual General Meeting decides on issues such as approval of the annual financial statements, the utilisation of after-tax profit, the election and recall of the members of the Board of Directors, the Supervisory Board and the Audit Board, appointment of the auditor, amendment of the Statutes, and all matters that have a material impact on the company's share capital, as well as all other issues delegated to the competence of the General Meeting by the Statutes.

The **Board of Directors** is the highest decision-making body with regard to all issues except those that falling within the direct competence of the shareholders. The Board of Directors conducts itself in accordance with the Statutes, the resolutions of the General Meeting and the effective statutory provisions.

The duties of the Board of Directors include reviewing and approving the company's vision of the future, its strategic principles and plans, and any transactions that extend beyond the usual scope of business. It monitors and regularly evaluates the company's performance and the work of the Executive Board. It is responsible for selecting and contracting the managing director, as well as assessing his performance and determining his remuneration. It ensures compliance and conformity with the norms enshrined in the Code of Ethics.

Members of the Board of Directors are elected by the General Meeting, for a maximum period of five years at a time. The majority of the board members are not in the company's employment. The number of non-executive members of the 11-member Board of Directors is 8. The independent (non-executive) members of the Board of Directors may not be in any business or other relationship of a financial nature with the company, and their task at the board meetings is to express opinion that are independent from those of the Executive Board and to impartially assess the decisions thereof. The chairman of the Board of Directors is elected by the members of the Board of Directors, from among its non-executive members.

Members of the Board of Directors*:
William de Gelsey, Chairman
Erik Bogsch, Managing Director
Dr. Gábor Gulácsi
Gergely Horváth
Dr. László Kovács
Csaba Lantos
Christopher William Long
Dr. Tamás Mészáros
Dr. Gábor Perjés
Dr. Csaba Polacsek
Prof. Dr. Szilveszter E. Vizi

The Board of Directors meets once a month, and reviews the company's business activity on the basis of an agreed work schedule. To ensure the effectiveness of its work, the Board of Directors discusses the issues on the agenda after reading the preparatory briefings sent to it in advance, and having heard the summaries of the invited managers responsible for the departments concerned. The Board of Directors acts and passes resolutions as a corporate body. Minutes are taken of the meetings of the Board of Directors, and its resolutions are documented.

Two subcommittees operate within the Board of Directors, each with at least three members, who are chosen from among the external (non-executive) members of the Board of Directors. The **Corporate Governance and Nomination Subcommittee**, taking the prevailing needs into account, forwards proposal to the Board of Directors for the ideal number of its members, and its tasks. The subcommittee also determines the requirements for becoming a member of the Board of Directors, assesses the suitability of possible candidates, researching the qualifications and professional credentials of the candidates, and monitors the corporate governance principles and makes recommendations for any necessary amendments. The **Remuneration Subcommittee** makes recommendations in respect of the annual and long-term targets of the elected officers. Additional tasks of the subcommittee include providing the Board of Directors with an opinion on corporate incentive systems that involve financial remuneration and share awards, as well as drawing up a proposal for the compensation of the managing director.

Supervision of the company's operation is performed by the **Supervisory Board**. Its members are elected by the General Meeting for a maximum period of three years at a time. In accordance with the Companies Act, 1/3 of the members of the Supervisory Board are delegated by the company's employees, while the remaining members are independent from the company.
In compliance with the statutory requirements the board convenes regularly once a month, and on an ad-hoc basis whenever a meeting is necessitated by the company's operations. The board submits proposals to the Board of Directors, and discusses the company's strategy, financial results, investment

CORPORATE STRUCTURE AND MANAGEMENT SYSTEMS

policy and internal audit and control systems. At its meetings the Supervisory Board receives regular and sufficiently detailed reports on the company's management, and its chairman may participate in the meetings of the Board of Directors with a right of consultation.

Members of the Supervisory Board*:
Dr. Attila Chikán
Dr. Jonathán Róbert Bedros
Jenő Fodor
Mrs. Tamás Méhész
Gábor Tóth

A three-member **Audit Board** operates at the company, the members of which are elected by the General Meeting from among the independent members of the Supervisory Board. The Audit Board is responsible for auditing the company's internal accounting procedures.

Members of the Audit Board*:
Dr. Attila Chikán
Dr. Jonathán Róbert Bedros
Mrs. Tamás Méhész

The **Executive Board** is tasked with the directing of the company's operational activity. The tasks of the board's chairman are performed by the company's managing director. To allow the board to concentrate on the fulfilment of the strategic objectives, only the members of the Executive Board participate in the work. Ensuring observance of the principles of sustainable development is principally the duty of the managing director, but also of every senior and middle manager of the departments under his supervision.

Members of the Executive Board*:

Erik Bogsch	Managing Director
Dr. Gábor Gulácsi	Deputy Managing Director, responsible for Finance
Lajos Kovács	Director, responsible for Technical services
Sándor Kováts	Director, responsible for Commercial services
András Radó	Deputy Managing Director, responsible for Production and Logistics
Dr. Zsolt Szombathelyi	Research Director
Dr. György Thaler	Development Director

The following meetings are held at the company::

- Executive Board meeting: convened weekly to discuss current issues.
- International meeting: convened fortnightly to discuss the latest international issues affecting the company.
- Production meeting: convened fortnightly to discuss issues related to production and sales.
- R&D meeting: convened fortnightly to discuss the latest research and development issues.

*The names listed and published above valid on December 31, 2013

- Managing Director briefing: a discussion held on an ad-hoc basis to provide information about the company's current business situation.
- Research council: the managing director's advisory body with respect to strategic development issues. Its monthly meetings are attended by invited external advisers.

Management systems, ethical principles

Due to the nature of its activity, the pharmaceutical industry operates within strictly regulated boundaries.

We conduct our research and production activity in compliance with the latest effective GxP principles – GLP (Good Laboratory Practice), and our manufacturing activity in accordance with GMP (Good Manufacturing Practice) – our clinical trials in keeping with GCP (Good Clinical Practice), and our sales activity in line with the GDP (Good Distribution Practice) principles that took effect in 2013.

Our environmental protection activity is regulated by an Environmental Management System that was certified first in 2001, and several times thereafter, as conforming to the ISO 14001:2004 standard, while our health and safety at work activity is governed by the OHSAS 18001:2007 Health and Safety at Work Management System that was certified at the beginning of 2006. We have a fundamental economic responsibility to serve the healthcare needs of the public with high-quality and affordable products. This, and our legal liability, provides the basis for our moral responsibility, which also obliges us to adhere to the norms of society. Therefore, both in our business relationships and in our dealings with customers, we follow the rules of good ethical conduct. It is our conviction that well-founded business results and ethical business conduct exist in close correlation with one another. At the same time we also expect our employees to comply with our ethical principles. Our Code of Ethics describes in detail our employees' obligations, the conduct they should display towards our company, the prohibition on discrimination, the ethics of economic competition, the prohibition on bribery and the acceptance of gifts and hospitality, as well as the detailed rules on dealing with suppliers, contractors, customers and the media. In addition to the ethical standards, strict statutory regulations prohibit the advertising of our prescription-only products.

In the interest of maintaining the company's growth and high level of profitability, Gedeon Richter's strategic objective is to further increase the share of its operations that represent high added value. To this end, we are shifting the focus of market sales away from generic products – the market for which has developed unfavourably in recent years due to constant price cutting and increasingly fierce competition – in favour of innovative products. To achieve this objective we are focusing our research and development activity on three main areas: small molecule original drug research in connection with central nervous system disorders, the development of biosimilars using a biotechnology platform, and the clinical development of original products for the treatment of gynaecological disorders. The successful market launch of the innovative products has led to further expansion in the company's export activity, and the latest treatments are reaching a growing number of people even by global standards.

Cariprazine and associated products

An important milestone in our original small molecule research was the filing of our application in 2012 for registration of the molecule known as cariprazine, with the United States Food and Drug Administration (FDA), for the treatment of schizophrenia and bipolar disorder. The process is still ongoing, because in November 2013 the FDA – recognising the effectiveness of the compound – requested more information for the granting of the marketing authorisation. Before the product can be authorised in Europe for the indication of schizophrenia, further clinical trials are necessary, and these are still ongoing at the time of preparing this report. With a view to expanding the medical uses of cariprazine, phase II trials are also underway for the treatment of depressive disorders. Besides cariprazine we have 10 other projects in progress, one of which is in phase I, while the others are still in the early stages of testing.

In 2011, when drawing up its original small molecule R&D strategy for the period until 2020, the company considerably refined its focus with regard to the targeted therapeutic indications. In the recent period we have further concentrated our resources, and in future we shall concentrate our pharmaceutical research efforts in the fields of cognitive disorders, obesity and autism.

Drug development using biotechnology methods

Biotechnology has played an important role throughout Richter's more than 110-year history.

At the beginning, in the first half of the last century, biotechnology served medicine through the extraction of biologically active substances from living organisms. At Richter, as a part of this activity, organotherapeutic compounds were synthesised from hormone-containing organ extracts. The company also quickly introduced the ground-breaking insulin extraction technique to Hungary. Fermentation biotechnology has also been a feature in the company's life since the 1950s: the medicinal products produced in this way make use of the life processes of microbes, primarily at certain stages of the synthesis of vitamin B12 and certain steroid compounds (bioconversion or biosynthetic fermentation).

Development of recombinant proteins marked a profound change in the field of biotechnology. The discovery of this genetic material and the related research studies have made it possible to render cell cultures capable of producing completely foreign proteins. With a knowledge of the sequence of the desired protein, by creating what is known as the genetic structure and then implanting it in the host cell, the modified host cell is created. In the fermentation stage these host cells produce the desired protein. The next stage comprises various cleaning steps, after which we arrive at a protein of the appropriate quality. Human insulin was the first recombinant protein, which in the '80s replaced swine insulin to modernise the treatment of diabetes and make it safer. Since then a host of therapeutic proteins manufactured through recombinant biotechnology have been introduced to the market. These are either used to treat some kind of deficiency disease (growth hormone for stunted growth, erythropoietin for anaemia, insulin for diabetes, filgrastim for neutropenia), or mainly have a therapeutic effect in the field of oncology (e.g. breast cancer, stomach cancer, lung cancer, etc.), and autoimmune diseases (arthritis, Crohn's disease, which is accompanied by inflammation of the intestines, shingles, etc.).

Synthesising a precise copy, known as a generic version, of the therapeutic proteins, is very difficult due to the size and complex structure of the molecule. At the same time, when patents expire there is considerable demand for cheaper versions of safe medicinal products with the same effectiveness. This has led to the creation of what is known as the biosimilar product category, and the opportunity to register such products, which our company plans to make use of. Compared to the first therapeutic proteins to be introduced, which were the monoclonal antibodies (mAb) used in oncological and autoimmune treatments, the molecule sizes are exceptionally large even for proteins: on average 150 kDa, while for example insulin is 12 kDa, filgrastim is 18.8 kDa, and growth hormone is 20 kDa. This makes biosimilar monoclonal antibody production an even greater challenge.

In 2006 Richter took the decision to develop biosimilar drug molecules using recombinant technology. Thus in 2007 Richter's R&D portfolio came to include biosimilar proteins that can be manufactured using microbial and mammalian cells, including certain monoclonal antibodies. The Richter-Helm enterprise, a joint venture with the Helm company, is responsible for bacterial development and manufacturing in Germany,

As a result of the company's intensive biotechnological development work commenced in 2007, we inaugurated Central Europe's most modern biotechnology plan in Debrecen in 2012. Here a facility serving the development and manufacturing of biotechnologically synthesised pharmaceutical products was constructed, with the creation of almost 120 new jobs. The company's objective is to create a complex and competitive product line that will help it to expand its domestic and international portfolios with products that represent high added value.

while mammalian cell development will take place in Budapest, and the synthesis and manufacturing of clinical samples for the market will be carried out in the Biotechnology Plant in Debrecen. Mammalian cell development has been underway since 2007 at the Budapest site, where the fermentation process developed for small volumes is being scaled up to a maximum volume of 1,000 litres. After this we will transfer the 1,000-litre technology to Debrecen, where it will be increased to the final target volume of 5,000 litres (in certain cases the 1,000 litres could be the final manufacturing volume). It is planned that these facilities will start to manufacture the biosimilar proteins necessary for entering the market in 2016-2017.

The development work entails the extensive enhancement of analytical methods, as the methods for proving biosimilarity extend from electroforesis, liquid chromatography and polymerase chain reactions, through cell-biological assays. A broad-spectrum panel of cellular data measured in vitro appears to be replacing animal experiments, and following the appropriate analytical characterisation of a biosimilar molecule it can progress to the human trials stage. In the course of the clinical trials, effectiveness and safety have to be proven again, in contrast to small-molecule generics, where apart from the analytical tests only bio-equivalence tests are necessary to certify similarity with the originator (the reference product). The guidelines for the development of biosimilar antibodies, however, have not yet reached their final form either in Europe or the United States; the authorities are creating the regulatory environment in parallel with this.
Richter is working on six biosimilar projects, primarily in the fields of malignant and immunological diseases, and currently two of our projects have progressed to the clinical trial stage, and according to our plans, one more could go into clinical trials in 2015.

Expansion in the gynaecological market

A key element of the company's growth strategy is the continuous expansion of the gynaecological product portfolio, and growth in Western Europe and Latin America. In order to strengthen the gynaecological portfolio, the company's strategy has come to feature the development of innovative products on the one hand, while on the other we are stepping up our efforts to identify new gynaecological indications apart from the hitherto predominant line of contraceptive products.

A key step in implementing these elements of the strategy was the series of acquisitions made by the Richter Group in 2010, in the course of which the oral contraceptive portfolio of the German company Grünenthal was taken over, and the Switzerland-based PregLem was purchased. While the takeover of the Grünenthal oral contraceptive portfolio laid the foundations for building up a Europe-wide medical representative and marketing network, with the acquisition of PregLem the company has come into the possession of an innovative product suitable for the preoperative treatment of uterine fibroids. After obtaining its marketing authorisation in February 2012, we commenced the European roll-out of the product. By the end of 2013 we had launched the product in some 30 European and CIS countries. In 2013 the company acquired further distribution rights in Latin America, where, following registration, the introduction of the product can begin in certain countries as soon as the end of 2014. In addition to this, our company continues to

Although publishing scientific papers is not the primary duty of industrial scientists, many of Richter's researchers choose to put in the extra work necessary to have their results printed in scientific journals. In the 2012-2013 period our research scientists published two books, contributed four chapters to books by other authors, and had 82 scientific papers published, the vast majority in English, in the most prestigious international journals of their respective fields. The publications represent all the important areas of pharmaceutical research (medical biology, pharmacology, synthetic and analytical chemistry, pharmaceutical technology). This is another indication that Richter's research team, in terms of its publication activity too, is one of Hungary's most important scientific workshops for medicinal research.

actively research gynaecological indications that represent an unfulfilled medical need, in the interest of further expanding the production portfolio.

The human factor

The pivotal role of innovation in the company's activity is clearly demonstrated by the fact that Richter invested almost 12% of its sales revenue, HUF 38.8 billion in 2012 and HUF 41.9 billion in 2013, in research and development, one of the highest ratios in the Central and Eastern European region. The company operates the largest R&D centre in Central and Eastern Europe; its R&D staff numbers 1,061 persons, and within this figure it employs 657 researchers, 23% of whom have a PhD. This sizeable pool of highly qualified "grey matter" not only makes a defining and substantial contribution to the company's own development, but is also notable for its scientific activity (see boxed item above). Our innovative discoveries in the past two years have led to 31 Hungarian and international patent applications, with the latter extending to more than eighty countries.

Richter does not rely exclusively on its in-house research team, having broadened its innovation base with the involvement of the Hungarian universities and academic community. We nurture educational, scientific and R&D partnerships with the University of Szeged, Budapest University of Technology and Economics, the University of Pécs and Debrecen University. We are currently participating in five ongoing consortium bids in R&D tenders, as a partner to universities and academic institutes; the total value of the tender projects exceeds HUF 16 billion. In addition, Richter itself announces tenders in which academic and university research sites can apply for support for research that could benefit pharmaceutical research and development. For this purpose we spent HUF 930 million between 2007 and 2013 on supporting the research activities of six universities, four academic institutions and six small and medium-sized enterprises.

The Richter Group's sales revenue in 2013 amounted to HUF 351,424 million (EUR 1,184 million), which represents growth of 7.6% (or 4.8% measured in euro terms) relative to 2012.

Change in sales revenue in the individual regions (EUR million)

	2011	2012	2013
Hungary	127.4	107.0	105.7
EU	389.1	404.0	427.0
Poland	69.7	78.2	74.1
Romania	129.6	131.4	148.9
EU10	76.4	80.2	80.1
EU15	113.4	114.2	123.9
CIS	444.3	498.0	509.3
Russia	316.4	336.9	336.6
Ukraine	52.5	68.2	71.9
Other CIS countries	75.4	92.9	100.8
USA	73.3	55.8	48.1
China	5.0	6.1	34.9
Other countries	60.4	59.2	59.0
Total	1,099.5	1,130.1	1,184.0

Our company performs research and development activity in Hungary, and has the highest research and development expenditure among the domestic manufacturers. The company is a major payer of tax and social insurance contributions, and its high-volume investments also contribute to the growth of Hungary's national economy. Besides this, Richter employs four and a half thousand people in Hungary, and more than ten thousand at regional level. Our company's contribution to the national economy is substantial, at HUF 91.4 billion in 2013.

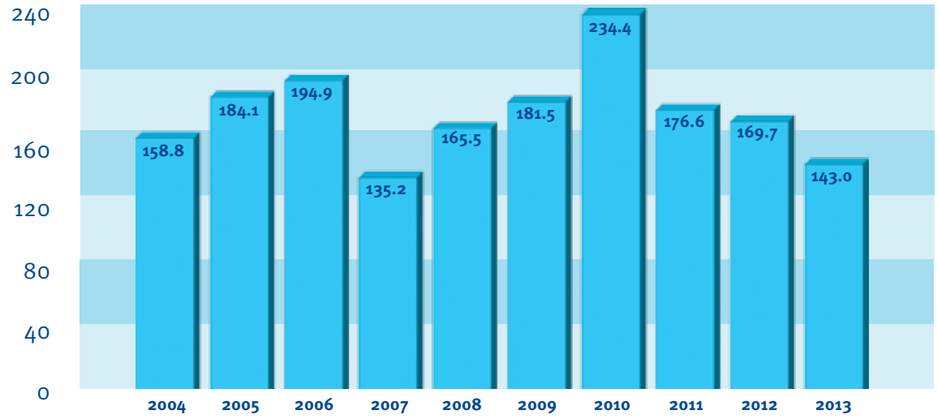
OUR BUSINESS RESULTS

Key financial data (consolidated)

	2011	2012	2013
Total sales revenue (EUR million)	1,099.5	1,130.1	1,184.0
Profit from business operations (EUR million)	217.6	168.4	153.5
Profit after tax (EUR million)	176.6	169.7	143.0
Earnings per share (EPS, EUR)*	0.94	0.91	0.77

*Restated in order to reflect the impact of the share split realized in July 2013

Profit after tax (EUR million)



HEALTH AND SAFETY OF OUR CONSUMERS

We comply with the Hungarian, European and other international statutory provisions and requirements in order to ensure that we are safeguarding the health and safety of our consumers when they use our products. We achieve the reliable quality of our products through compliance with procedural, technological and quality assurance regulations. Our senior managers have also published this commitment in the Quality Assurance Policy Statement.
The success of our efforts is confirmed by the fact that the domestic and foreign health authorities have made no critical comments in the course of their inspections.

Responsible operation is reflected in the various stages of drug development and clinical trials (which we have already described in detail in the 2008-2009 report), and continues in the operation of the comprehensive quality assurance system for processes related to marketing and distribution, as well as in the aftercare phase related to the products, encompassing their entire life cycle, including the handling of complaints, side-effects and queries arising in the course of their use.

The fully comprehensive quality assurance system is based on the latest GMP guidelines, and contains all the necessary system components. It covers, among other things, the risk management related to the planning, development and regulation of all products, tools and processes that could represent a source of danger for either the patient or the company. Management regularly monitors the effectiveness of the quality assurance system.

The number of appliances used for the testing of our products is growing constantly. Keeping pace with today's technology and pharmacopoeia requirements, we use increasingly sensitive instruments. Through the application of increasingly sensitive methods, we aim to detect even very small quantities of possible contaminants more accurately.

To ensure the most comprehensive possible supervision of our manufacturing processes, we have developed an information technology system that enables us to monitor changes in the quality of our products on a daily basis. In compliance with the valid European regulations, both for active ingredients and finished products, we assess the data related to their manufacturing and quality for each product every year.

We select our suppliers with the greatest of care. In addition to commercial and patent-related considerations, we also take past experience into account when choosing suppliers. Such matters include whether they supply us with other products, whether they also supply any of our subsidiaries, whether there have been any complaints, and how consistent our test results are with the data they supply. We rate our suppliers on the basis of a questionnaire filled out in advance, and/or an on-site audit. An indispensable requirement is that they be capable of supplying the active ingredients, excipients and packaging materials necessary for manufacturing the medicines in the quality, quantity and to the schedule that are prescribed in the marketing authorisations and meet Richter's expectations.

Also serving to reduce risks are our efforts, in the course of assessing our suppliers, to identify the manufacturer of the purchased materials in consultation with the distributors, and where possible to buy direct from the manufacturer.

The regulations applicable in respect of the products' packaging stipulate what kind of packaging the individual products may be distributed in, and what kind of information must be indicated on the packaging (e.g. name of active ingredient, the product's active ingredient content, use-by date, etc.), as well as what kind of data and information needs to be contained in the patient information leaflet in the interest of ensuring safe use.

In compliance with the requirements of Good Distribution Practice (GDP) that took effect in 2013, we only distribute our products through sales partners who possess a valid manufacturing and/or wholesale trading licence. We cooperate with domestic manufacturers, wholesalers and other organisations in an effort to prevent counterfeit products, which could potentially endanger patients' lives, from being introduced to the market.

Pharmacovigilance

Medicines are indispensable tools of our modern world. They enable us to live longer, fall ill less frequently, and heal more quickly. With their help we can stave off infectious diseases and even successfully take up the fight against the lifestyle diseases that are so prevalent in today's society. Drug treatments can be used to maintain the balance of the mechanisms regulating our digestive system, our cardiovascular system and central nervous system for many decades, and medicines also have a decisive role in other important areas of life, such as family planning.

Medicines, however, do not only have beneficial effects. Due to our nature as biological entities, people react differently to the various medicinal compounds, which can also have adverse effects. Science sees the path to eliminating these effects as lying in the increased use of bespoke treatments, but today this is not yet a day-to-day reality. In the course of developing the medicinal products we subject them to very strict tests and analyses in order to ensure that products can only be distributed if their benefits are considerable at both the level of the individual and for society as a whole, while the risks of their use are regarded as acceptable. Pharmacovigilance (from pharmakon, Greek for drug, and vigilare, Latin for to keep watch) is the science of studying side-effects. Performing it ensures that when using the product, it is possible to avoid situations in which the risk would significantly diminish the expected usefulness. This is possible because we monitor our products in the market environment all around the world. We ensure that the medicines are used in accordance with the latest summary of product characteristics, and register any unexpected outcomes that occur in the course of medicine use.

HEALTH AND SAFETY OF OUR CONSUMERS

The entire Gedeon Richter corporate group participates in this monitoring, and we also require a similar degree of care to be shown by our sales partners. To support the gathering, forwarding and analysis of the information, in 2008 Richter introduced an information technology system that is unmatched in the region. Using this, pharmacovigilance specialists can analyse the incoming data on a continuous basis. This activity is performed in concert with the pharmaceutical authorities of the European Union, and the information is shared reciprocally in compliance with our statutory obligations.

The purpose of collecting and analysing the data is to map the side-effects of the medicines as accurately as possible so as to ensure that the use of the products is targeted as precisely as possible in terms of both indication and target population, primarily through perfection of the summaries of product characteristics and patient information leaflets. The system also has the task of alerting and intervening if it detects a change in the product's safety, or is able to give advance warning of any circumstance that may expose society to an unforeseen risk.

Because no medicine is free of side-effects, we believe that our activities in this regard, aimed at gaining the most precise possible understanding of the effects of our medicines, protect both our patients and our products at the same time. Our company regards pharmacovigilance as a service, and this is also stated in its Pharmacovigilance Policy. We perform this activity subject to quality assurance standards, in accordance with internationally accepted principles of Good Pharmacovigilance Practice. The personal responsibility for pharmacovigilance is held, and the operation of the system supervised, by the Qualified Person for Pharmacovigilance.

By the end of 2013 our company had put in place the foundations of a well-functioning pharmacovigilance quality assurance system that complies with the European Union regulations on medicinal products.

For the future we have set ourselves the following general targets in the interest of effectively supporting business objectives in this area.

- Compliance:
  - full adoption of principles of the EU's Good Pharmacovigilance Practice;
  - improvement of the quality of individual pharmacovigilance case reports and summary reports, and compliance with the deadlines for filing with authorities.
- Rapid response: elaboration of a rapid response process in the area of pharmacovigilance, for the protection of patients and the public, development of rapid problem-solving capability and use of the lessons learned in practice.
- Readiness for inspection: setting out of identical processes, on the basis of identical principles and methods at all subsidiaries and representative offices, which ensures that the quality assurance system is ready for inspection at any moment.
- Elaboration and use, as a matter of routine, of indicators for the measurement of effectiveness and compliance.

Since the production of pharmaceuticals involves numerous risks, we handle the environmental tasks related to our activity with a high degree of responsibility. An inseparable aspect of our business decision-making involves taking into account environmental criteria; in our investments and developments we endeavour to apply the best available technology (BAT), and we always place the principal emphasis on prevention. In this context, an important role is assigned to control, to research and development, and also to plant and facility development.

With the addition of our new Biotechnology plant in Debrecen, the number of our Hungarian manufacturing units has increased to three. All of these plants have an IPPC (Integrated Pollution Prevention and Control) permit. In relation to the Debrecen investment, we were able to fully satisfy the BAT expectations, and we use the most state of the art equipment and technologies there. Following operational testing, the adaptation of manufacturing processes began in 2013.

In Budapest, after the clearing of an obsolete factory, by the autumn of 2010 the disorganised jumble inherited from earlier decades had been replaced by a simple yet varied and generously-proportioned, spacious environment. The lawns, the colourful perennials, the almost 70 nursery trees, the quality paving and water features constructed in the centre of the site now project an image worthy of a world-class production facility.

On the site of the former Vitamin B12 plant in Dorog an almost two-hectare park was created.

Environmental control

Our ISO 14001 Environmental Management System was first certified, ahead of many of our Hungarian competitors, in 2001, by an independent organisation. That the system is continuously and effectively maintained is evidenced by the results of both supervisory and recertification audits. The re-certification audit of 2013 makes only a few recommendations with regard to further development. The system is characterised by BV Magyarország Kft. as “a well-established, appropriately introduced and regularly enhanced environmental control system that contains many innovative, up-to-date elements. The system is, in accordance with the environmental impacts and risks involved, built upon a complex and rigorous technical platform and information technology base.”
The effect of the EMS relating to the manufacturing facilities in Budapest and Dorog will also be extended to our Debrecen factory by the end of 2016. For this reason, the operations performed there are regulated from the very start by elements of the management system.

Environmental objectives and programs

In an effort to continuously improve our environmental activity, with due regard to the key environmental factors that influence our operation, we have identified various objectives and specific, related tasks. As a consequence of the key objectives of the five-year period closed in 2010, we have completed the re-installation of the earlier production technologies at a site provided with appropriate infrastructure, as well as the modernisation of the technological equipment, the sewage network, and the wastewater treatment and materials storage facilities. The applied technologies and the technical conditions comply with BAT requirements, and represent the highest production standard available.
At the end of the period we reconsidered and reformulated the various objectives and tasks. We determined the new objectives by taking into account our tasks determined for the 2011–2016 period.

	OBJECTIVES	SPECIFIC TASKS	DEADLINES
1.	Implementation of the provisions of the Integrated Pollution Prevention and Control permit valid for Budapest from 2010.		continuous
2.	Implementation of the provisions of the Integrated Pollution Prevention and Control permit valid for Dorog from 2011.		continuous
3.	Mitigation of the environmental impact of active-ingredient production critical in terms of environmental protection.	3.1. Identification of significant factors, determination of the necessary measures.	continuous
		3.2. Enforcement of environmental criteria when reviewing technologies.	continuous
		3.3. Enforcement of environmental criteria when approving new technologies.	continuous
4.	In order to reduce environmental risks, continuously improving the Company's degree of readiness for dealing with emergency situations.	4.1. Drafting and improving emergency instructions, and practicing putting them into effect.	continuous
		4.2. Maintaining cooperation with the Company's civilian protection and fire protection units.	continuous
5.	Increasing the efficiency of environmental communication activity.	5.1. Ensuring that key environmental indicators, results and tasks are communicated to the public.	continuous
		5.2. Providing targeted support for local schools in strengthening environmental awareness education.	continuous
6.	Improving the aesthetic quality of the manufacturing units.	6.1. As far as possible, establishing additional green areas and maintaining the condition of existing ones.	continuous
		6.2. Preserving and improving the condition of buildings.	continuous
7.	Extending the scope of the EMS to the Debrecen plant after its commissioning.		after the start of production
8.	Monitoring, and where possible, improving, the efficiency of materials and energy consumption.		continuous
9.	Increasing energy efficiency	9.1. Replacing the current steam-based heating of certain facilities by installing hot water boilers.	2011
10.	Reducing to a minimum the harmful emissions of new and existing manufacturing operations by applying BAT-NEEC technologies.		continuous
11.	Rationalising the use of ozone-depleting and certain fluorinated greenhouse gases.	11.1. Surveying any heating or air-conditioning units exceeding 3 kilogrammes of charge-weight that use regulated materials, and where necessary, replacing them.	2014
12.	Further reducing pollutant emissions.	12.1. Establishment of a rainwater overflow system for the Dorog site.	2011
		12.2. Gradual reduction in emissions of materials important in terms of water quality protection.	continuous
13.	Compliance with noise limits.	13.1. Implementation of the noise protection program stipulated in the IPPC permit.	In Budapest by the end of 2011
			In Dorog by the end of 2013
14.	Reduction of environmental risks caused by the storage and transportation of hazardous materials.	14.1. Regular monitoring of changes in groundwater quality via the monitoring network.	continuous
		14.2. Continuous monitoring and restoring of the technical condition of sewage networks.	continuous
15.	Reduction of groundwater pollution through the extracting and treating of polluted groundwater.	15.1. Reduction of groundwater pollution at the Dorog Site by elaborating a Damage Mitigation Plan and commencing damage mitigation.	2013
16.	Further modernisation of waste management.	16.1. Expansion of selective waste collection.	2011

Energy consumption

Besides production volume, the following factors have the greatest effect on our company's energy consumption:

Weather

In our experience extreme weather conditions have become increasingly common in the last decade, and this has led to an increase in non-technology-related energy use (cooling, heating, climate control). An exception to this was the year 2013, when the favourable ambient temperatures resulted in a significant cost saving.

Manufacturing technology requirements

The industry is characterised by a continuous tightening of the requirements relating to the manufacturing and storage of medicines. Compliance with the latest requirements for the manufacturing and storage environment (reduction of the upper threshold value for the temperature range of storage, increase of the ventilation rate, constant winter and summer humidity, increase in the minimum speed of laminar airflow) can only be achieved with an additional energy expenditure in most cases.

Technical standards of supply systems

The life cycle of the large supply systems that form the pillars of basic supply (steam boiler plant, central cooling plant buildings) is a minimum of 20-25 years. The legislative and economic environment, and the applied technical solutions, can change considerably over such a long period, which is why we consider the constant development and modernisation of energy supply systems to be so important. The impact of new technical solutions and appliances usually points in the direction of improvements

in operational safety and a reduction in energy consumption.

As a consequence of the combined impacts of the above factors, overall the company's energy use can be said to be increasing slightly.

Given the volume of our energy use, and seeing the changes underway in the energy sector, in 2012 we launched a comprehensive audit of the energy supply of the Budapest and Dorog manufacturing units, with the objective of drafting an energy supply concept that we are confident will serve as the basis for the continued development of the company's energy strategy. The most important questions that we seek to answer are the following:

- How capable are our existing energy supply systems of satisfying present needs, and what reasonable interventions, supported by sound economic reasoning, can we make in the interest of more efficient energy use?
- What opportunities are there for satisfying the new needs entailed by the company's growth, and which of these are the most advantageous?
- Is it possible to use renewable energy to satisfy a part of the company's energy need, and if so, what cost-effectiveness ratios would this entail?

The most important conclusions of the concept plan drawn up in 2013 are the following:

- It was warranted – in a departure from the practice employed for several decades – to switch from steam to using water as the heat-transfer medium at the Budapest factory site, in order to satisfy the building services requirements of the new facilities. We also plan to maintain this policy when modernising existing buildings, and for new developments.
- Although co-generation is a good technical solution for servicing the needs of facilities that continuously make use of both heat and electricity, and the applicable EU directives are also intended to encourage its use above a certain capacity limit, the study concluded that the use of this technology is not advised in the present economic environment.
- The energy efficiency ratios of our absorption refrigeration units have become unfavourable, so it is advisable to base future developments on electrically powered refrigerators.
- At the Dorog site, losses can be reduced by converting the smaller and intermittently used steam-based appliances, situated far away from the point of delivery from the external heat supplier, to individual natural gas-based heat generation.
- At the Dorog site a means of returning the generated condensation water to the heat supplier must be put in place.
- Due to the special quantity and quality requirements of the sites there are only limited opportunities for using renewable energy sources; these are mainly in facilities that are not closely related to pharmaceutical manufacturing, but even in these cases it will take a long time to recover the investment.
- An important tool for monitoring energy use is the measurement system, which in addition to its many other advantages (precise cost allocation, reliable operational information) is in itself capable of reducing energy consumption.

Water use

The quality of the waters used in the pharmaceutical industry varies depending on the various tasks that has to be fulfilled. We use both potable water and "raw" industrial water. In compliance with pharmaceutical industry regulations, only potable water or water of higher purity produced (by desalinising, distillation, sterilisation, etc.) from drinking water may enter the technological production

units. After pre-treatment (filtering), most of the industrial water is used for cooling purposes.

Our water use shows a continuously decreasing tendency, which can be attributed to the following causes:

- We are constantly upgrading our internal plumbing network, replacing the old sections of pipe that are in a dubious technical condition.
- The old technologies and equipment that are wasteful in terms of their water use are steadily being phased out at the sites.
- As regards the cooling water supply, we are switching to the use of recirculated water in a growing area. Our objective is to satisfy all cooling water requirements of this nature using recirculating cooling systems.

Raw materials use

The extent of our chemical substance and solvent consumption is closely related to the degree of demand for our products and to their composition. This is because the strict provisions of the licensing authorities regulate the manufacturing technology, as well as the quantity and the quality of the materials used for production. Any departure from this is only possible after a very costly and time-consuming authorisation process.
Solvents, which are used in chemical processes, are reused, almost half of it, with or without any treatment. In our case, solvents constitute the major share of volatile organic compounds (VOC). The discharge permitted for VOC materials (in water and air) in the pharmaceutical industry is 15% of the total use in the case of already operating plants and 5% in the case of new plants. We meet the above criteria. We primarily use the nitrogen for inertisation, in order to prevent any explosion hazards. Occasionally, we recover the evaporation heat of liquid nitrogen in equipment units used for air purity protection.
We only permit the use of ozone-depleting materials, in accordance with the statutory provisions, in indispensable cases, that is, if these, technically or economically, cannot be substituted with any other materials, or if their alternatives would be even less acceptable in terms of environmental or health protection.

Air pollution

We have introduced various technical solutions in recent years for reducing the emission of volatile organic compounds (VOC), primarily solvents, from diffuse sources. The technical standard of the production equipment meets the BAT (Best Available Technology) requirements. For capturing other, non-solvent-type materials we apply absorbers, appropriately effective filters, catalytic burners, etc.
We use ozone-depleting substances in a high number of refrigeration units, but by the end of 2014 we will replace these with substances that are less dangerous from an environmental perspective. Carbon dioxide is the only greenhouse gas emitted.
The transportation tasks related to our activity are supported by a modern car pool (via an independent transportation firm partly owned by the Company), and we ensure the appropriate level of technical repair of the car pool through regular maintenance.

Wastewater discharge

In Budapest a segregated sewerage network has operated throughout the site since 2005. As a result of this, the highly polluted wastewaters of technological origin – if necessary, after local treatment –

undergo a wastewater pre-treatment. The pre-treated wastewaters are mixed with other wastewater discharges before reaching the municipal sewage network, and then, after having been highly diluted, they are discharged into the South-Pest multistage biological wastewater treatment plant, the final recipient of which is the Danube.
In Dorog, the separately collected household type wastewater is discharged into the municipal wastewater treatment plant. All the technological wastewater, the non-social purpose waters and a part of the rainwater produced within the territory of the Site is discharged into an on-site multistage biological treatment plant, the final recipient of which is the Danube. Also in Dorog, we discharge certain highly polluted mother liquors, after local pre-treatment, into the site sewage network.
In order to minimise the environmental impact of any possible disaster, during periods of heavy rainfall we can store the rainwater in a 10,000 m3 reservoir and, following a quality test, if it proves to be unpolluted we channel it into Kenyérmezei Brook, or if it is polluted then we divert it to the site sewage treatment facility.
Our water discharge has no substantial impact on the natural waters into which it flows.

Waste

Almost all the waste generated during drug production qualifies as hazardous waste. This is transferred to waste disposal plants possessing the license stipulated by the legal regulations. Waste disposal is, for the most part, implemented by burning. Any hazardous waste that cannot be neutralised in any other way is taken to a permanent disposal facility. We neither export nor import any hazardous waste.
In compliance with the requirements of modern waste management, we are increasing the quantity of recyclable waste:

- Previously, we placed chrome sludge in a permanent disposal facility. Since 2012 we have processed this material and recycled the regenerated chromium compounds into the production process.
- We are continuously improving the selective collection system, and we have increased the collected quantity by establishing waste collection islands. In 2013 we also extended the system to our Dorog site.
- Part of the waste produced by us we sell. In addition to solvents, we also hand over a significant amount of metal, paper and plastic waste to various businesses for recycling.
- We collect any distributed but unused medicines, together with their packaging – in compliance with the official requirements – through a network in pharmacies. These system is operated by Recyclomed Kft.

Condition of our manufacturing units (protection of surface and subsurface waters)

There has been chemical industry activity at our manufacturing units for more than a century. We monitor the current condition of soil or groundwater pollution caused in years past by way of monitoring wells installed in the 1990s. Based on the test results it can be stated that no polluted water has been released from these areas.
Our central site in Budapest underwent a full geological soil audit; we have isolated the revealed solvent-generated pollutants in accordance with the official requirements, we have installed groundwater extraction wells and treatment plants for remediation purposes, and these are in continuous operation.
At our Dorog site, too, we have started the process of cleaning up the inherited soil and groundwater pollution, and that resulting from former activities. We have put five groundwater extraction wells into operation, and in one direction we use a diaphragm wall to prevent the polluted groundwater from leaving the site. We extract the groundwater that is trapped by the diaphragm wall, and purify it in the wastewater treatment facility together with the water from the extraction wells.
In Dorog we completed the separated rainwater drainage system, and, in compliance with the authority's instructions, in 2011 we supplemented the system with a storm-water reservoir.
No significant leaks have occurred in past years.

Noise protection

In Budapest we implemented our noise protection action plan valid up to the end of 2011, which means that we comply with the new, stricter requirements in all respects. We are currently focusing on ensuring the noise-related compliance of the newly installed equipment.
In Dorog, in accordance with the authority's provisions, we elaborated a noise protection action plan. On the basis of this, in 2011 we surveyed the critical noise sources of the site, then submitted a three-stage noise reduction program to the authority, which has been approved. We commenced implementation of the first stage of the program in 2012, and the second stage will be completed by the end of 2014, when we will achieve the prescribed threshold values.

Costs and expenditures

The tables show that every year we spend a considerable sum on direct and integrated environmental investments. In the past years the most significant of these investments were made in relation to groundwater purification, wastewater treatment, risk-limitation (emergency reservoir), noise protection and warehousing.

Environmental investments, Hungary and India (HUF million)

	2011			2012			2013			
	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India (rupee)
Total investment with an environmental protection component (direct + Σintegrated)	752	1 152	400	1,191	1,021	343	1,191	1,938	0	465,125
Environmental protection part of the above sum (direct + e.p. part of the integrated investment)	85	701	60	243	382	4	215	493	0	465,125
Direct environmental investments	39	609	47	64	255	0	94	284	0	465,125
air pollution	31	0	0	33	14	0	34	0	0	0
water pollution	2	240	3	0	100	0	26	169	0	465,125
soil, ground water	0	333	0	0	141	0	15	38	0	0
hazardous waste	1	0	44	0	0	0	19	2	0	0
other	6	36	0	31	0	0	0	74	0	0
Integrated environmental investments	713	543	354	1,126	766	343	1,097	1,654	0	0
Environmental protection part of the integrated investment	46	92	14	178	127	4	121	209	0	0

Environmental operating costs, Hungary and India (HUF thd)

	2011		2012			2013			
	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India (rupee)
Sums paid to the company providing the environmental protection services									
removal and disposal of solid, non-hazardous waste	49,971	2,791	67,073	3,593	1,203	94,567	3,000	589	0
disposal of hazardous waste	312,926	502,864	334,259	539,218	752	332,887	423,079	2,592	3,008,819
removal via wastewater network	421,447	8,409	506,578	6,978	27,662	450,077	5,232	27,995	971,360
Environmental-protection expenditures within the organisation									
protection of air purity	13,752	12,420	12,866	14,757	200	12,826	12,070	370	40,000
wastewater treatment	66,006	332,071	63,564	355,879	3,452	59,871	386,316	3,432	5,003,701
treatment of solid, non-hazardous waste	19,943	0	21,090	0	270	15,658	0	712	0
treatment of hazardous waste	71,765	0	70,194	0	0	88,200	0	6,250	0
protection of soil and subsurface waters	25,267	13,532	25,085	10,325	272	30,621	7,400	272	0
noise and vibration protection	762	3,812	1,032	0	1,510	0	1,176	0	0
environmental research and development	4,000	0	0	2,500	0	0	769	0	362,199
operation of laboratories	10,291	13,968	8,889	7,127	0	8,849	8,182	0	1,520,068
operation of the environmental control system	5,473	0	5,645	0	0	6,483	0	0	1,217,319
other	3,550	940	5,161	242	0	1,582	2,449	5,230	29,303
Total	**1,005,153**	**890,807**	**1,121,436**	**940,619**	**35,321**	**1,101,621**	**849,673**	**47,442**	**12,152,769**

Environmental investments, subsidiaries (2013)

	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)
Environmental investments	35,895	111,218,438	1,436,576
Total investment with an environmental protection component (direct +Σintegrated)	2,162	48,830,946	140,366
Direct environmental investments	0	3,544,949	0
air pollution	0	0	0
water pollution	0	3,544,949	0
soil, ground water	0	0	0
hazardous waste	0	0	0
other	0	0	0
Integrated environmental investments	35,895	107,673,489	1,436,576
environmental protection part of the integrated investment	2,162	45,285,997	140,366
Operating costs of environmental protection			
Sums paid to the company providing the environmental protection services	**153,798**	**2,372,973**	**455,090**
removal and disposal of solid, non-hazardous waste	26,976	275,374	88,980
disposal of hazardous waste	122,373	2,097,599	5,640
removal via wastewater network	4,449	0	360,470
Environmental-protection expenditures within the organisation	**181,778**	**209,137**	**17,600**
protection of air purity	93,822	88,613	14,000
wastewater treatment	75,994	3,858	0
treatment of solid, non-hazardous waste	0	86,133	0
treatment of hazardous waste	0	0	0
protection of soil and subsurface waters	0	30,532	0
noise and vibration protection	0	0	0
environmental research and development	0	0	0
operation of laboratories	0	0	3,600
operation of an environmental control system	0	0	0
other	11,962	0	0
Total	**335,576**	**2,582,110**	**472,690**

Legal compliance

The competent authorities check the implementation of the provisions of the Integrated Pollution Prevention and Control permit annually, combined with a site survey. During the audits only minor objections were registered, and we provided the required responses in good time. Only one fine has been imposed since 2011 (GR Romania wastewater, RON 3405, 2013), and even the fines imposed prior to this related to cases that had virtually no significance in terms of their environmental impact.

At a significant part of the workplaces within our Company our employees are working with hazardous chemical substances, ie. organic solvents and agents, thus facing the typical hazards associated with drug production. At these workplaces, managing safe working condititons is a complex and highly responsible task. For all the employees of our company, safe and healthy working conditions are provided.

We are continuously working to harmonise the tasks related to occupational health and safety technology. The Occupational Health and Safety Management System (in Hungarian: MEBIR) was introduced and originally certified in accordance with OHSAS 18001:1999, in 2006. The MEBIR system is currently certified in accordance with OHSAS 18001:2007.

Work safety

The tasks required by MEBIR have become an integral part of day-to-day activities, and include audits, inspections, liaising with external parties, assessing investment projects and operational manuals of chemical technologies, providing personal protective equipment,, investigating incidents, drafting and implementing safety targets/programs, etc.

The continuous reduction of workplace hazards requires risk-assessments. We measure occupational exposure factors and employees regularly undergo occupational health examinations. Accredited safety laboratories operate at Budapest and Dorog; in addition to the monitoring of workplace exposure levels, the safety parameters of chemical substances are also determined. The measurements for the Debrecen site are performed by the safety lab in Budapest. The test results constitute an inseparable part of the risk assessment. Among the various MEBIR programs, adhering to the increasingly strict requirements, key priority is now afforded to technical measures designed to ensure that technologies are as containedas possible, thus reducing chemical risks.

We pay particular attention of explosion-prevention, by fulfilment of technical and documentation requirements (ATEX directive). We launched a flame arrester replacement program in 2012, which we plan to complete in 2014.

In order to improve the safe conditions of confined space entry works, as a first step (in 2010) we procured new personal gas sensors and up-to-date rescue equipment, and then – as part of a two-year program – we established anchor points in all the places where confined space entry should be performed. Thus, the entry is carried out simpler and safer.

We have launched a quite popular workplace stress management program on the basis of the results of our psychosocial risk analysis at workplaces, underwent in 2011. In autumn 2014 we repeated this survey, which extends to all employees, in improved form.

Chemical safety

Performing CLP re-classification of dangerous substances represented a very substantial professional and administrative task in 2010 and 2011, given the number of chemical substances used and manufactured and the related testing and information requirements. In accordance with the CLP decree, at the end of 2010 we classified 380 internally produced or imported substances, we reported 200 of these to the European Chemicals Agency (ECHA), in keeping with the paradigm specified since 2006 in an EU regulation (REACH) which states that the identification of the intrinsic hazards and the definition of the circumstances of safe use of chemical substances is the sole responsibility of the manufacturer or importer of the chemical substance. In 2011 a total of 571 classifications were carried out and 8 reports were filed. We had no REACH registration obligations in 2011.

In 2013 the registration dossier of our first-listed intermediate was submitted in line with the prescribed deadline, and has been accepted by the European Chemical Agency (ECHA). Also under preparation (as we prepare the physical-chemical toxicological/ecotoxicological hazard identification tests according to a predetermined schedule) are the registration dossiers for our other intermediates that are subject to this requirement. The registration of these must be performed by 2018.

The company is committed to assuring chemical safety as a part of its corporate social responsibility commitment, and has thus undertaken the voluntary REACH lead registrant role on several occasions. When preparing the registration dossier, the company comes into the possession of know-how relating to the safe use of chemical substances, which it naturally shares with society at large, thereby making a significant contribution to the safe use of chemical substances. This process requires a considerable investment of professional and financial resources.

We continuously monitor tonnage of the chemical substances produced by us and those imported from outside the EU, exercising our right to late pre-registration as and when necessary. We cooperate with all the departments of the company that use chemical substances in an effort to reduce the number of chemical substances under restriction or authorization rules. The hazard classification is publicly available on the ECHA's website.

Fire protection

The expansion of the fire alarm network is classed as a continuous activity at all our manufacturing units, in line with changes resulting from the various investments, renovations and acquisitions of new technological equipment. At our Budapest manufacturing unit there are more than 14,000, in Dorog 2,500, and in Debrecen 2,800 fire detecting and/or alarming sensors (smoke, flame, solvent, gas or heat flow sensors and manual fire-alarm switches), which transmit their signals to the facility's own, permanently manned fire-fighting unit. Here an intervention control system assists in accelerating the intervention: the main control unit prints out a map of the precise location, while also displaying on a data

sheet the necessary information related to the area concerned, and, if necessary, it sets off the automated fire extinguishing systems. The most important equipment units are also protected by HI-FOG high-pressure automated water-mist extinguishers. In Budapest we acquired a new diesel generator in 2010 for assuring electric power for the two firefighting systems available in the two high-bay warehouses in case of a power outage. We expanded our firefighting facility in Dorog with the acquisition of a new fire truck in 2012, and in 2013 we replaced the rapid response fire truck, enabling us to perform event response and mitigation operations far more professionally and efficiently than before.

Major accident prevention

In terms of major accident prevention, both the Budapest and the Dorog sites of the company are classed as low hazard threshold operations. In accordance with a new legal regulation that came into force at the end of 2011 our Vecsés warehouse facility, classified as a 'below hazard threshold' operation, became subject to legislation of major accident prevention. The Debrecen site is not under control of major accident hazard rules.

Planning safety

In the table opposite we present our safety objectives for 2014. The implementation of most of these objectives requires continuous work, from year to year. The rest of the objectives require implementation of the tasks necessary for ensuring compliance with the changing legal and technical environment. The objectives cover almost one hundred individually identified programs, most of which also demand technical implementation.

Work safety objectives and programs for 2014 (extract)

Budapest

OBJECTIVE	PROGRAM
Ensuring compliance with ATEX requirements	Replacement of flame arresters
	Lighting upgrade
IT development	Expansion of MEB IT modules
Improving traffic conditions	Renovation of thoroughfares and paving, installation of traffic mirrors
Improving work safety	Reconstruction of the vacuum system
	Replacement of weight-loaded safety valves with spring-loaded safety valves
	Installation of emergency ladders
	Bringing the storage conditions of hazardous materials into line with modern standards
	Acquisition of explosion-proof refrigerators
	Replacement of protective coverings
	Installation of local extraction systems
Improving work environment conditions	Reduction of noise exposure (sound-insulation of ventilation system)
	Cladding renovation
	Heating system upgrade
	Installation of artificial ventilation
	Replacement of doors and windows
Fire protection development	Fire door replacement
Health protection	Workplace psychosocial risk assessment
Ensuring compliance with chemical safety requirements	Uploading of the supplier safety data form to the safety data form registration module

Dorog

OBJECTIVE	PROGRAM
Enhancing the strictly controlled conditions of the batch technologies for API manufacturing	Installation/integration of powder charging and discharging equipment and sampling
IT development	Expansion of MEB IT modules
Improvement of emergency readiness	Replacement of nitrogen and air quick-disconnect couplings
	Protection of reactor-jackets
	Installation of a warning system in the cool, and refrigerated storage facilities in the Warehouseof the Store Operation Department
	Installation of a fresh-air supplying system system
Improving traffic conditions	Renovation and replacement of thoroughfares, paving and walkways
	Installation and replacement of operator platforms
Improving work safety	Installation of power-assistance of reactor-opening covers
	Modernisation of reactor seals
	Installation of local suction units
Reducing workplace noise and vibration exposure	Replacement of old centrifuges with more modern devices
Improving working environment conditions	Installation of an air conditioning system
	Procurement of ergonomically sound furniture
	Replacement of doors and windows
Fire protection development	Establishment of automated alarm and fire extinguisher systems
Reducing the risk of exposure to dangerous chemical substances	Overflow-protection of containers
	Modernisation/renovation of ventilation and air conditioning systems
	Installation of emergency reservoir
Health protection	Evaluation and publication of the experiences and findings of the psycho-social risk assessment, elaboration of further risk management strategies
Ensuring compliance with chemical safety requirements	Addressing the issue of electronic archiving and retrieval of external safety data sheets and exposure scenarios in a document management system

In our publication we present the accident statistics for the past three years (2011–2013). The number of work accidents has, on average, remained approximately the same over several years. It has also been observed for several years now that two-thirds to three-quarters of accidents can be attributed to carelessness or to physiological factors.

Expenses related to our safety-technology activities (the table contains the data for the Hungarian sites)

EXPENSES		2012			2013		
		Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen
occupational health	occupational healthcare provision	172,667			185,732		
	procurement of personal protective equipment	202,710	57,202	66,523	153,986	62,770	41,139
	total	**499,102**			**443,627**		
training	education	47,212			40,305		
	conferences	1,903	517	93	1,653	945	98
	total	**49,725**			**43,001**		
development	safety consultants' fees	76,520			78,757		
	total	**76,520**			**78,757**		
investment	fire protection (expansion of fire alarm system, Hi-Fog, firefighting vehicle)	123,420	85,741	0	79,735	77,983	0
	procurement of new instruments	31,189	4,305	0	10,668	12,536	0
	other	45,346	17,579	0	78,470	346,500	0
	total	**307,580**			**605,892**		
maintenance	fire protection (fire alarm system, Hi-Fog, solvent detector, fire extinguisher)	43,330	13,760	0	53,902	15,599	0
	official inspection of hazardous machines and obtaining permits for their operation	25,640	13,110	0	16,070	5,785	0
	breathing apparatus	771	2,120	0	2,050	1,472	0
	safety technology laboratory instruments	6,767	2,479	0	7,157	2,849	0
	shelters	4,301	0	0	1,956	170	0
	other	0	0	0	0	0	0
	total	**112,278**			**107,010**		
renovation	headquarters	25,416	30,175	0	0	16,975	0
	factory	15,270	18,446	0	14,025	32,010	0
	total	**89,307**			**63,010**		
other	laboratory supplies, work accident cost implications (compensation, social insurance payment injunction, insurance excess)	5,522	508	0	12,494	302	0
	total	**6,030**			**12,796**		
Grand total		**1,140,542**			**1,354,092**		

Foreign manufacturing subsidiaries

The subsidiaries are located in different hemispheres, and in various regions and countries within them, so they are confronted with differing problems and regulatory regimes. Their histories, and their past and present activities also differ. However, in view of the fact that work safety and occupational health tasks ultimately serve the same purposes and promote sustainability everywhere, we have started to audit the activities that have been conducted independently at the individual companies for many years.

We have, for many years, processed our own data in accordance with the GRI indicator guidelines. We collected these data from our subsidiaries for the first time in 2013.

Activities of the subsidiaries

Gedeon Richter Russia (GR RUS), Gedeon Richter Polska (GR Polska) and Gedeon Richter Romania (GR Romania) only perform the manufacturing of pharmaceutical products. This type of operation is very strictly regulated in terms of the applicable pharmaceutical industry quality assurance standards, which entail countless requirements that also mean it can be regarded as a low-risk operation in terms of environmental protection, as well from the perspective of safety at work and occupational health. Furthermore, a very large proportion of the materials used are incorporated into the products, with only a very small proportion of “wastage”. The solvent usage of all three facilities is less than 50 tonnes a year, so none of them are subject to the VOC Directive. GR Polska is a manufacturing facility in which we discontinued the manufacturing of certain medicine active ingredients several years ago, and thus the infrastructure has to be adapted to capacities that are smaller and subject to different quality standards in each case. At GR Romania we also shut down an active ingredient manufacturing operation, but one that had a considerably smaller impact on the infrastructure, while GR RUS started out as a greenfield investment.

Richter-Themis Medicare (RTML) manufactures active ingredients for medicines, and the risk of this chemical industry operation can be regarded as significant. The factory’s activity is comparable to that of a larger active ingredient manufacturing workshop of Budapest, with all the service functions that are necessary for the operation of a complex facility (warehousing, logistical, energy supply, wastewater treatment facilities, etc.). Our specialists participated in the design of the manufacturing plant’s physical structure, the technical specification of the equipment, and the local implementation of the transferred manufacturing technologies. In the course of this project, adapting to the typically different climatic conditions, standards, and (work) culture represented a major challenge.

Our human resources are the foundation on which our continued business success, and the growth opportunities inherent in our scientific, commercial and financial strengths are built. To promote our employees’ development the company has drawn up a human resources strategy aimed at securing our staff’s long-term commitment through the creation of an attractive workplace and the imparting of a traditional set of values. We have at our disposal a wide range of tools for finding and recruiting employees whose professional experience, professional skills and vision of the future will best facilitate Richter’s success. Our efforts are also served by the collective bargaining agreement, trade union representation, the various professional and competence training courses on offer, the career paths, the performance appraisal system, and the wide range of fringe benefits and assistance schemes. We place great emphasis on employing young people at the start of their career, just as we also take care to ensure a supportive intergenerational succession process.

Maintaining human resources mainly requires capital, investment and management. We are committed to selecting and retaining employees with a high level of expertise, and to the development of our employees’ skills.

Values

Our company places a great deal of emphasis on nurturing and preserving our written and unwritten values. We treat long-term thinking as an asset, which is not only characteristic of the company’s professional/strategic activity, but also of our interaction with employees. It is no coincidence that loyalty, a long-term commitment to the company, is of key importance.

Therefore we consider careful decision-making and a striving for stability to be valuable assets.
We are proud of the security that Gedeon Richter Plc. provides to its employees on account of its stability. To ensure a high level of professional expertise, a special role is ascribed to the provision of support for professional development (education, training). Where possible the company builds from within, recruiting and training successors from among its own staff.
One of the important tools for achieving shared objectives at the company is coordinated teamwork, which is based on good professional and interpersonal relationships. A positive consequence of this is

the sense of community, the “Richter feeling”. This sensitivity to social factors is reflected both in the company’s commitment to social causes, and in the various forms of support provided to employees.

Number of employees

The Richter Group’s total headcount was 11,647 at the end of 2013. The Headquarter had 6,948 employees, 1,897 of whom worked in our offices abroad. The increase in the employee headcount relative to 2012 can be attributed to a change in the number of employees at foreign offices, and a more than 100-person increase in the number of staff in Hungary. Some 75% of the white-collar workers employed by us in Hungary have a higher-education qualification.
The number of our employees in roles related to sustainable development is 197 in the area of finance, 119 in the area of environmental protection and work safety, 74 in human resource management (HR) and 12 working in the field of public relations (PR).

Advocacy

The interests of our company’s employees are represented by the Federation of Chemical Workers of Hungary (VDSZ). Some 1,320 of our employees in Budapest, and 440 in Dorog, are members of this pharmaceutical factory workers’ union. There is a long and auspicious history of cooperation between the VDSZ’s Pharmaceutical Factory Workers’ Trade Union and the company’s management. Consultations are frequently held, for example when amending the Collective Bargaining Agreement, before wage increases and prior to other decisions that affect a relatively large group of workers.
A line of communication is maintained constantly with the Work Safety Committee in the interests of ensuring satisfactory working conditions.
The VDSZ and the National Association of Pharmaceutical Manufacturers (MAGYOSZ) have revised and reconcluded the Pharmaceutical Industry Collective Bargaining Agreement.

Workers’ representation

A 13-member Works Council operates at our company. Its task is to extend to the workplaces, through the Works Council members elected by the employees, a form of employee participation that has the primary aim of continuously representing workers’ interests in respect of all issues that affect the vast majority of employees, keeping in mind economic interests and strategic objectives at all times. In terms of its function, the Works Council has to serve as a bridge between the employer and the employees.

Discrimination

Our principles relating to discrimination are contained in our Code of Ethics, which also reflects our commitment to equal opportunities. We are committed to complying with the prohibition, set out in Hungary’s Constitution, known as the Fundamental Law, on any form of discrimination, namely discrimination on the basis of race, colour, gender, language, religion, political or other views, ethnic or social origin, wealth, birth or other circumstance. Observing Article XVIII of the Hungarian Constitution our company condemns, and does not employ, child labour. We do not consider discrimination that clearly derives from the character or nature of the work to be negative discrimination (e.g. certain roles may only be fulfilled by women or men). In every aspect of employment we judge our employees only in terms of whether or not they possess the capabilities necessary to meet the requirements of the job. The fact that almost 33% of our senior managers are women, and this proportion among our middle managers is higher than 41%, is further proof of this.
In our employment policy we also comply with articles III and XII of the Fundamental Law, and categorically oppose all forms of forced labour.

Welfare and cultural benefits

Among the employees’ fringe benefits – to which our part-time employees are also entitled – the supplementary pension plan contributions, health plan assistance and life and accident insurance all serve to increase personal security and promote long-term planning. We continue to provide preferential and interest-free company loans and travel assistance, and housing opportunities for young career starters. In the interests of retaining talented young employees, we have developed long-term insurance facilities, and for the best of them we endeavour to ensure career opportunities.

We maintain and support, in unaltered form, all of the institutions that provide services which promote agreeable working conditions for our employees, or create opportunities for their regeneration and relaxation. In 2012 the main building of the holiday centre in Balatonlelle underwent a full exterior renovation. This work also extended to the refurbishment of the common areas and reception area. At the Ráckeve holiday site we carried out the full renovation of the sanitary facilities.

Similarly to the parent company, the wage increase recommended by the government was also carried out at Richter’s solely-owned subsidiary HUMANCO Kft.

In 2013, observing the effective statutory provisions, a change occurred in the operation of both the nursery schools maintained by Richter. Since 1 July 2013 the nursery school maintained in Dorog, and since 1 September 2013 the nursery school maintained in Budapest, have operated as independent educational institutions. Gedeon Richter Plc. has undertaken a five-year guarantee with respect to their operation. The aim remains to ensure an agreeable and safe environment in which the children of Richter employees can develop in keeping with today’s requirements.
Our holiday facilities operate to contemporary standards. In the off-season period they are used to host a growing number of training and refresher courses that were previously held at external venues, to assist in the professional development of our employees. This way we have achieved considerable savings. In 2013 the renovation work continued at Balatonlelle, the refurbishment of the living areas was completed in the same year. In the next stage, in spring 2014, the landscaping was performed. The holiday facilities maintained by the company in Balatonszemes, Budakalász, Miskolctapolca and Ráckeve continued to operate as normal.

In the interests of protecting our employees’ health, we run complex medical screening programs that have become something of a tradition at our company, and which are available to all our employees every two years. In 2013 the fourth such screening program was completed, and in 2014 the two-year scheme will begin again. The purpose is to detect chronic diseases, and make recommendations for their treatment.

OUR EMPLOYEES

Training

It is compulsory for all of the company's employees to take part in safety, quality assurance, environmental protection and pharmacovigilance training courses.

For new employees who join Gedeon Richter Plc. we hold an "orientation program", during which they can gain a broad insight into our company's activity and the corporate culture, through a combination of presentations and factory and laboratory visits. For recent graduates at the start of their career we run the "Engineer's Nursery" training program. The aim of this is both to ease the process of settling into work, and to assist in getting to know Richter's activity and corporate culture.
The training of middle and senior managers continued. For the new managers appointed in recent years we ran a separate program that helped to prepare them for the tasks ahead, as another means of ensuring the company's business success.

We continue to provide assistance to those learning foreign languages, and for the continued scientific training of employees, while we also ascribe particular importance to the widespread expansion of IT skills. Some 169 of our employees participated in training within the mainstream education system in 2012, with 19 attending college courses and 49 studying on BSc and BA courses under the Bologna system. In 2012 a total of 18 persons were studying to achieve an MSc or MA degree, while 33 participated in other postgraduate education and 2 in accredited higher-education training courses. PhD studies were pursued by 21 of our employees, while 8 were studying for their certificate of education general and 12 took part in technician's training. In 2012 some 525 of our employees were studying for some kind of vocational qualification, 75 were improving their IT skills, while 592 were expanding their knowledge by attending vocational further training courses. A total of 684 were learning languages, and 978 took part in training related to statutory regulations.

Some 153 of our employees participated in training within the mainstream education system in 2013, with 13 attending college courses and 55 studying on BSc and BA courses under the Bologna system. In 2013 a total of 17 persons were studying to achieve an MSc or MA degree, while 34 participated in other postgraduate education and 2 persons in accredited higher-education training courses. A further 17 persons were studying for a PhD. Seven took part in courses to obtain their certificate of general education, and seven in technician's training. Furthermore, in 2013 some 339 of our employees were studying for some kind of vocational qualification, 316 improved their IT skills, while 1,016 expanded their knowledge by attending further training courses. A total of 619 were learning languages, and 645 took part in training relating to statutory regulations.

STAKEHOLDER ENGAGEMENT

Our company communicates with numerous stakeholder groups, and in many ways. As a part of our corporate social responsibility we engaged in continuous dialogue with our investors, the authorities and various representatives of civil society in order to assess their expectations with regard to us, and the social impacts of our operations, and to provide accurate information about our corporation social responsibility.

Corporate social responsibility and dialogue in Hungary

The social environment in which it operates is of key importance to our company. As a leading Hungarian pharmaceutical manufacturer and employer, we are responsible for the health of society, and for maintaining the dialogue conducted with the population. We support, and organise in keeping with our mission of improving health and the quality of life, numerous health-related, scientific, educational and environmental-protection activities.
Owing to the sector in which we operate, and our operating profile, our responsibilities are twofold: on the one hand we have to serve our customers with up-to-date products, and on the other we have to do so at affordable prices. This is why our donation and sponsorship policy is based on the conviction that we need to take on a role in the areas that are related to our activities: we are supporters of healthcare and education.

Our operations are centred on creative people. We do a lot to promote the development of innovation skills and abilities, both within our own institution and in our broader environment.

With the aim of promoting a healthy lifestyle, in 2009 we launched the Richter Health City Program, which places the rationale for remaining healthy in a broader context: it makes a connection between individual motivation and the interests of the community. The program assists with prevention, and makes a real contribution to improving the health of the population. Richter's donation and sponsorship strategy is reflected in a complex manner in this program. It links the provision of support for local healthcare institutions with the attendance of local residents at the screening tests (health), and the watching of presentations on the various types of disease (education).

work actually works. Between 2011 and 2013 Richter's THE team gave presentations lasting around an hour and a half each, in seven grammar schools in Budapest and two in the provinces.

Our company also recognises the work of teachers who display an outstanding performance in science education. The Award for Hungarian Chemistry Teaching is presented in recognition of primary school teachers who teach chemistry. This award also provides an opportunity to reward the work of teachers who teach chemistry in Hungarian in countries beyond Hungary's borders.
The Professor Rátz Lifetime Achievement Award was founded jointly by Graphisoft R&D Zrt., Ericsson Magyarország Kft. and Gedeon Richter Plc. The lifetime achievement award provides an opportunity to recognise the work of teachers who show outstanding performance in the field of mathematics, chemistry and biology education.

In keeping with our role undertaken in environmental education, we continued our series of environmental and nature conservation competitions for primary schools in Budapest's Kispest district, in collaboration with the Wekerle Cultural Centre and Library. Our alchemists' camp, which culminates in a Dorog town fête, and which has been held for many years now, is another successful event.

The Leányvár Large Families' Association, founded in 2002, holds the "Go For It!" Family Health and Sports Day once a year, with the aim of encouraging not only children to take part in the events, but also their parents, who are offered the chance to participate in screening tests. We have supported this program, which fits in with Richter's donation and sponsorship policy, since 2004.

The relationship between non-profit organisations and Richter (a for-profit entity) is described in the dissertation by Réka Guttin, a student at the Pedagogy and Psychology Faculty of Eötvös Loránd University, Budapest, entitled "Corporate Social Responsibility and Equal Opportunities. Study of a Company's CSR Activity". As a supporter of health screenings, the relationship of Richter (for-profit) and a civil-society (non-profit) organisation was described by the student as follows: "Both parties had to show a new kind of approach, as it makes no difference that the corporate sector is open to providing assistance if nobody approaches it with a request. The reverse

In recent years interest in Richter's corporate social responsibility has grown considerably among final-year students in higher education; many have chosen our company's corporate social responsibility as the topic of their dissertation. In their opinion: "the company's CSR activity is recognised, but not sufficiently known to society". Based on non-representative surveys, they drew this conclusion from the results of their own research. For us, this opinion is a call to action.

Gedeon Richter Plc. is in the privileged position of having an exceptional overview of the situation of Hungarian women, due to the fact that its activities also include the development and distribution of modern gynaecological products: it provides for women's health from the teenage years right up until the menopause. This care, however, also brings responsibility. Gedeon Richter Plc. believes it has a duty to also do something for women's psychological and social well-being. This is why it created the Richter for Women program.

An important part of the Richter for Women program is the "Mum Theresa Club", which aims to give women a voice and enable them to talk and write about their problems free of taboos. Besides this, the Richter Mum Theresa Club provides a space and opportunity for the creation of a supportive women's community. The club, which has almost a thousand members, welcomes all those who want to belong to an accepting, dynamic community, and are also happy to make their own contribution. A key element of the Richter for Women program is the Richter Golden Mum Award, founded in 2011, which aims to improve women's standing in society and their self-esteem. The award, which is specifically presented to women, was launched by Gedeon Richter Plc. and the Mum Theresa Club, which has the writer Zsuzsa Rácz as its patron. These heroines who live among us can be nominated as "Golden Mums" in three categories: teacher, doctor and health worker.

The cooperation with the "Life for the Years" National Association of Pensioners' Clubs and Senior Citizens continued, primarily through the organising of Health Days. At these events senior citizens are invited to listen to presentations about the types of disease that affect this age group. The emphasis at the events is on prevention, as well as the responsibility of the senior citizens towards those in their immediate circle: the knowledge obtained here must be passed on! A new element of the relationship with senior citizens is the "grandparent-grandchild" quiz, organised in conjunction with the association, the purpose of which is to improve inter-generational cooperation. The healthcare part of the tests is completed by the grandparent, and the environment protection part by the grandchild. This competition was also held for parent (mentor) and child (pupil) teams at the primary schools in Vecsés and its school catchment area, as well as in the Wekerle housing estate.

The site visits by the chemistry, mathematics, physics and biology teachers of the primary schools and grammar school in Dorog have become something of a tradition. The program includes a factory tour, which was much appreciated by those in attendance, who incorporate the information gained here into their lessons.

In the 2011-2012 period, on eight occasions each year, the pharmacists of domestic pharmacies had the opportunity to gain first-hand knowledge and experience relating to our company's activity, as part of a program of events bundled together with factory tours and presentations.

The Scientific, Beneficial, Human (Hungarian abbreviation: THE) Roadshow is a joint initiative of the Hungarian Association for Innovation and the Hyperion Group, with the aim of stimulating young people's interest in the technical and natural sciences through presentations held jointly by the Hungarian Association for Innovation and the largest industry players. Richter has taken on a role in this initiative from the very beginning, with a revamped program since spring 2011. The speakers provide the secondary school students with knowledge and an approach that they would not otherwise have access to, regarding what a medicine actually is, and how pharmaceutical research and development and quality assurance

is also true: the civil sector's requests for help come to nothing if met by closed doors at the company, through which it cannot pass."

Dialogue and corporate social responsibility at our subsidiaries

The health education program of our subsidiary Gedeon Richter Romania continues in the context of the "Capsula Sanatatii" initiative, in which the information packs compiled for the layperson draw attention to important aspects of a healthy lifestyle, effective communication between patients and their doctors, as well as the prevention and treatment of disease. The publications are available free of charge in pharmacies, doctors' surgeries and at events organised by Gedeon Richter.

Since 2013 the "RichterVita" magazine has been available free-of-charge to the general public. In this journal, experts present their thoughts on various illnesses and on living a healthy lifestyle. The periodical is available in every pharmacy in Romania. At the end of 2013 Gedeon Richter Romania, in conjunction with the Romanian Obstetrics and Gynaecology Association, launched the "Uterine Fibroids: learn, talk about it, decide!" awareness raising campaign, to draw attention to the latest therapies.
Their activities related to education are described in our previous report. Another initiative currently operating successfully is the "100m for health" program.

A new aspect of the subsidiary's corporate social responsibility is engagement with senior citizens: in partnership with an association set up for the prevention of osteoporosis – the Caritas Foundation – they hold osteoporosis screening and consulting sessions for this age group.

In Yegoryevsk, a local nursery school and secondary school continue to enjoy the support of Richter's Russian subsidiary, Richter-RUS. In partnership with the local television station the drawing contest held for 10-12-year-old children continued, and Yegoryevsk's residents again had the opportunity to vote for their physician in the "My Doctor" competition.

The corporate social responsibility activities of our Polish subsidiaries continue to include the long-term agreement with the Western Hospital operating in Mazowiecki, under which they provide support for the purchase of medical equipment and organise scientific conferences for the doctors. At the city's main social events, such as the family picnic in Grodzisk Mazowiecki, or "National Large Families' Day", children have the opportunity to learn about chemistry at the Richter stand. Our subsidiary's objective is to raise awareness of a company that takes its corporate social responsibility seriously and is committed to serving healthcare and promoting Richter.

It launched a National Science Competition for young pharmacists, with the aim of positioning Gedeon Richter as a leading supporter of research and development and science. Its partners in this initiative were the Polish Pharmaceutical Society, the council of pharmaceutical department heads and the president of the Foundation for Polish Science.
Once a year a meeting of clinic and hospital directors, coordinators and ministry representatives, as well as representatives of the regional authority agencies is held, under the title of "Internal Medicine Problems in the Mazovia Region".

In 2012, an exhibition entitled One Hundred Years of Chemistry depicted in photographs some of the most important events of recent history from the establishment of the Gedeon Richter pharmaceutical company in 1901, through the awarding of the Nobel Prize to Maria Sklodowska-Curie in 1911, right up to the present day. The subsidiary also runs numerous programs to support education in the region.
Within the Richter Group, our Polish subsidiary reports an exceptionally high quantity of voluntary work performed in the years 2012-2013.

Communication with investors

The company publishes its non-audited stock exchange reports for shareholders on a quarterly basis. In addition to these, on the date of the Annual General Meeting it publishes the Annual Report, containing audited data. The company holds its Annual General Meeting in Budapest, and notifies its shareholders of this in an announcement at least 30 days before the planned date of the meeting. At the Annual General Meeting the company's chief executive officer presents the business report, and all directors are present to answer any questions.

The company's management, primarily the chief executive officer and the employees responsible for investor relations, regularly provide information to our institutional investors regarding the company's performance and objectives, in the form of professional conferences, business meetings, conference calls and roadshows. Representatives of Richter's Investor Relations Department took part in a total of six international conferences and nine investor roadshows in the 2012-2013 period. During the same period Richter's management – at its Budapest headquarters – gave an account of the company's business operations to 114 fund managers and stock market analysts at fifty business gatherings. In addition to this, conference calls were held after the publication of every quarterly report.

Conferences in 2012-2013

Concorde	„One on One Conference"	Budapest	4 April 2012
UBS	„EMEA One on One Conference"	London	30 May 2012
Erste	„Investor Conference"	Stegersbach	1 October 2012
Concorde	„One on One Conference"	Budapest	3 April 2013
BAML	„Global Healthcare Conference"	London	11-12 September 2013
Erste	„Investor Conference"	Stegersbach	7–9 October 2013

Investor Roadshows in 2012

London	7–10 February 2012
New York, Boston	7–9 February 2012
Frankfurt	12 April 2012
Koppenhága, Stockholm	14-16 May 2012
London	17–18 September 2012

Investor Roadshows in 2013

London	11–12 February 2013
New York, Boston	22–23 May 2013
London	10 September 2013
Frankfurt	11 December 2013

The company's website (www.richter.hu), which is available in both English and in Hungarian, also includes separate pages communicating more detailed information for investors and analysts. Besides this, the Investor Relations Department is always on hand to assist investors at the company's Budapest headquarters. E-mail: investor.relations@richter.hu, telephone: +36 1 431 5764.

Analysts who regularly monitored the company's activity in 2012-2013: Jamie Clark (Bank of America Merrill Lynch), Simon Mather (Barclays), Attila Vágó (Concorde), Mark Wadley (Credit Suisse), Gergely Várkonyi (Deutsche Bank), Vladimira Urbankova (Erste), Yulia Gerasimova (Goldman Sachs), Luke Poloniecki (ING), James Vane-Tempest (Jefferies), Gergely Pálffy (KBC), Peter Verdult (Morgan Stanley), Daniel Damaska (Raiffeisen), Natasha Zagvozdina and Ulyana Lenvalskaya (Renaissance Capital), Guillaume van Renterghem (UBS Warburg), Adriana Marin and Przemyslaw Sawala-Uryasz (UniCredit), Bram Buring (Wood).

Employees

Our employees are among our most important stakeholders. Their loyalty is clearly illustrated by the fact that the average number of years spent at the company was 13.5 years in 2012, and 13.6 years in 2013. We believe that what is described in the Our Employees section, such as the appropriate working conditions, the career opportunities, the efforts to boost motivation, and our supportive policy, are decisive factors in the development of staff "loyalty". We do all this because an essential prerequisite for ensuring the consistent quality of the work performed, and of our products, is a well-trained, motivated workforce in an appropriate working environment.

We interact with our employees via the communication channels described in our previous report (2010-2011). Our intranet, which is constantly being developed, as well as our electronic and printed company newspapers, Richter News and the Richter Newsletter, serve as a continuous source of information. The Richter News Program, which is our own television program broadcast via the intranet, continues to report the latest information every two months.

Doctors and pharmacists

Doctors and pharmacists are the primary "consumers" of our products, because it is primarily they who decide when to recommend them to their patients. This is why it is so important for us that they have accurate information about the possibility for use, the effectiveness, and any possible side-effects of our old and new products. Our network of medical and pharmacy sales representatives operates in line with strict ethical principles: we do not tolerate corruption and our representatives – as our image research also proves – are honest, up-to-date and not aggressive.

The purpose of our long-term thinking is to retain the trust that is placed in our products.

Medicine users, suppliers

When developing our products we take our patients' needs into consideration, and make our produces available at an affordable price. Besides training and informing doctors and pharmacists, we also fulfil our corporate social responsibility commitment towards patients through our compliance with strict quality assurance requirements and other regulations, and through our support for the healthcare system.

The Gedeon Richter for Hungarian Healthcare Foundation, established in 2002, promotes health preservation, disease prevention, healing and healthcare rehabilitation activity, scientific activity, research, education, skills development and the propagation of knowledge.

In many cases we purchase the raw materials necessary for active-ingredient and medicine production from external suppliers, so they too are among our stakeholders. For an account of the rules relating to suppliers, see the section entitled Health and Safety of our Consumers.

Local communities: municipalities, the general public, non-governmental organisations

We continue to pursue the goal of maintaining relationships with local communities. We are open to dialogue, and to jointly seeking solutions where appropriate.

To maintain continuous contact with the population, we make indirect use of programs organised jointly with municipalities, such as the health screening at the Vecsés Cabbage Festival in partnership with the town's specialist clinic, the competitions that we hold for primary schools (environmental protection, healthcare), as well as our close relationship with the local media.

We consider the proactive, cooperative role of companies in the dialogue with non-profit organisations to be important. We believe that such cooperation can contribute to the emergence of a more responsible social culture, which also supports the operation of companies and an improvement in their competitiveness.
An environment that is more receptive to social, environmental and economic values also engenders more transparent relationships and clearer expectations for companies.

Educational institutions and authorities

Supporting educational institutions represents one of the key pillars of our corporate social responsibility commitment. A defining element of our strategy is the continuous maintenance of R&D activity, for which we regard it as essential to support the appropriate training of the professionals of the future, ensuring the availability of suitably qualified experts for generations to come. However, the company not only embraces chemists and pharmacists, but is also among the supporters of technical, medical and economics universities. Besides this, our company supports the scientific research, further training and health protection and disease prevention activities of scientists and doctors.

Primarily through tenders and foundations, we support the further training of young research scientists, chemical engineers and pharmacy students, as well as secondary school students with an exceptional talent for chemistry and teachers who play an outstanding role in education.

Our relationship with the authorities

Since the laws place tight constraints on the operation of the pharmaceutical industry, our relationship with the authorities that enforce compliance with the regulations is a crucial factor in our success. The circumstances of our product launches are inspected by the National Institute of Pharmacy, while other specialist authorities that maintain contact with our company are the Environmental Inspectorates and the National Directorate General for Disaster Management, Ministry of the Interior. In addition to performing regular inspections, the authorities often ask for our professional opinion regarding draft laws that affect the industry. In this way, we also participated in the drafting of the Animal Protection Act that has been in effect since 1998.

Membership of organisations, industry representatives

An especially important means of representing our interests is participation in the various Hungarian and international organisations. Of particular importance is our role in the National Association of Hungarian Pharmaceutical Manufacturers (MAGYOSZ), and in the Sectoral Dialogue Committee. This sectoral representation body, established in 1990, represents companies operating in the pharmaceutical sector, represents and coordinates our shared interests, serves as an intermediary between its members, and monitors the domestic and international research and development trends, and the economic situation. This makes it easier for us, too, to exert our influence in matters relating to regulation, and make our decisions when putting together our market strategy.
The post of chairman of MAGYOSZ is currently held by Erik Bogsch, the chief executive officer of Gedeon Richter Plc.

Reference pharmacy network

Our ever-expanding presence in the domestic market is also demonstrated by our network of reference pharmacies, which has been growing since 1994, and which on the one hand assesses the needs of patients, and on the other provides our consumers with information leaflets, which offer more detailed information about the products that we manufacture. The pharmacists working in our reference pharmacies receive professional training, and can further enrich their knowledge through the sharing of experience. We choose the sites of our pharmacies based on their location and turnover in the capital, the country seats and larger provincial towns.

Ethics, media

Our business results, corporate social responsibility and ethical business conduct exist in close correlation with one another. Therefore, both in our business relationships and in our dealings with customers, we follow the rules of good ethical conduct. At the same time, we expect our employees to comply with our moral and ethical principles, which are primarily guided by the Code of Ethics for Pharmaceutical Communication jointly elaborated by MAGYOSZ and the Association of Innovative Pharmaceutical Manufacturers, and by the decisions of the Ethics Committee set up on the basis of the Code of Ethics. Our own Code of Ethics also complies with these rules, and describes in detail our employees' obligations, the conduct they should display towards our company, the prohibition on discrimination, the ethics of economic competition, the prohibition on bribery and the acceptance of gifts and hospitality, as well as the detailed rules on dealing with suppliers, contractors, customers and the media. Compliance with the Code of Ethics and the company's other related internal regulations is ensured by the Standard Operating Procedures (SOP) relating to the operation of our company's quality assurance and consulting systems, and by the Quality Assurance Statement. We constantly monitor compliance with the regulations of authorities, and this compliance is also certified by the regular inspections by authorities (FDA and GYEMSZI).

Besides ethical standards, strict statutory regulations prohibit the advertising of our prescription-only products, and the company is also constrained by other restrictions on advertising and the exercising of influence.

Sponsorship policy and the foundations

In addition to its economic importance, the Richter Group is a prominent participant in the societies of the countries in the Central and Eastern European Region. It is committed, as far as its circumstances allow, to supporting the fulfilment of community goals through its social initiatives. Our company provides its support grants through foundations, which – reflecting our own activity – operate in two main areas: healthcare and education. Besides the education-supporting foundations listed above, the "Gedeon Richter Plc. for Hungarian Healthcare" Foundation, through which we provide support for healthcare, is of special importance. The Richter Employees' Well-being Foundation provides assistance for the alleviation of social problems experienced by our employees.

For our company, a key criteria when deciding whether to grant support is that the support provided:

- should be spent on a specific, clearly defined purpose;
- should serve to improve the situation and lifestyle of certain communities;
- should promote the fulfilment of hospital infrastructure development goals;
- if the support is requested by the foundations associated with the given therapeutic areas, then the company gives preference to the cardiovascular, central nervous system and motor organ-related fields of healthcare, and takes the needs of patients' organisations operated in the therapeutic areas that are important to it.

Environmental data: Hungary and India

Materials used

		2011			2012			2013			
	Qu.	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
Materials used	t	4,388	6,759	0	3,593	6,965	50	4,862	6,544	82	2,715
Purchased solvents	t	2,313	4,335	0	2,351	4,081	0	2,184	4,676	0	1,167
Recycled solvents	t	3,586	4,220	0	4,163	6,051	0	3,741	5,030	0	890
Nitrogen	thd m^3	2,340	2,551	6	2,325	2,832	84	2,264	3,234	236	420

Recycled solvents

		2011		2012			2013			
	Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
Total quantity of solvents used (kg/year)	kg/yr	5,899,444	8,555,221	6,514	10,132	0	5,925	9,706	0	2,057
Of this, quantity of reused solvents (kg/year)	kg/yr	3,586,160	4,220,089	4,163	6,051	0	3,741	5,030	0	890
Within the materials used, the ratio of recycled materials (%)	%	54.01%		61.36%			56.11%			43.26%

Energy consumption

		2011			2012			2013		
	Qu.	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen
Natural gas	GJ	544,060	2,820	43,573	554,446	3,412	96,255	498,530	8,328	107,709
Heating oil	GJ	330,403	345,913	0	326,918	340,286	0	327,897	324,296	0
Other	GJ	27,040	320	0	27,262	320	0	26,258	332	0
Electric energy	MWh	74,833	29,295	3,888	78,245	29,041	7,629	75,796	29,866	8,696

Energy consumption – India

	Qu.	2013
Natural gas (GJ)	GJ	0
Heating oil	GJ	2,209
Coal	GJ	39,606
Electric energy (MWh)	MWh	7,957

Total water use by source

		2011		2012			2013			
	Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
From surface water sources	thd m^3	1,608	489	1,809	447	97	1,637	346	127	87
From subterranean water sources	thd m^3	0	145	0	124	0	0	108	0	0

Water use

		2011		2012			2013			
	Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
Total water quantity used	thd m^3	59,608	17,489	59,709	14,171	7,097	54,137	9,654	7,927	86,561
Of this, quantity of reused water	thd m^3	58,000	17,000	57,900	13,600	7,000	52,500	9,200	7,800	276
Of this, quantity of reused water	%	97%	97%	97%	96%	99%	97%	95%	98%	<1%

		2011		2012			2013			
	Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
Potable water	thd m^3	735	228	877	178	97	895	112	127	86,561
Industrial water	thd m^3	873	261	932	269	0	742	234	0	0
Recirculated water	mn m^3	58	17	58	14	7	53	9	8	<1

Emission of NOx, SOx and other significant air pollutants by emission type and quantity

		2011				2012			2013			
	Qu.	Budapest	Dorog			Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
VOC emissions												
VOC discharge in air	%	2.62	1.22			2.75	1.38	0*	2.92	1.66	0*	0.67
VOC discharge in air	t	182.7	179			190	220		189	220		13.7
Gyömrői út P30												
NOx	kg/year	27,672										
CO	kg/year	1,740										
Diósgyőri út Nursery P1												
NOx	kg/year	71										
CO	kg/year	39										
Diósgyőri út Swimming Pool P2												
NOx	kg/year	57										
CO	kg/year	51										
Noszlopy út P1												
NOx	kg/year	84										
CO	kg/year	1										
Noszlopy út P2												
NOx	kg/year	76										
CO	kg/year	8										
Noszlopy út P3												
NOx	kg/year	58										
CO	kg/year	7										
	kg/year											
	kg/year											

					NOx	1,201	2	216	1,016	4	279	946
					CO	908	1	166	525	3	142	0
					SO2							3,693
					PM							10,019

No boiler

Aggregated for all the boilers of the given site

*The Debrecen plant is not subject to the VOC directive.

CO2 emission

		2011		2012			2013			
	Quantity	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
CO2	t/year	27,336	0	30,210	175	4,299	27,166	448	5,786	30

Ozone-damaging substances

		2011		2012		2013			
	Quantity	Budapest	Dorog	Budapest	Dorog	Budapest	Dorog	Debrecen	India
Raw material	kg	0	0	0	0	0	0	0	0
Coolant	kg	352	0	149	8	392	0	0	246

Total water effluent by quality and destination

Budapest

	2011			2012			2013		
	total quantity (m3)	natural waters	public sewer	total quantity (m3)	natural waters	public sewer	total quantity (m3)	natural waters	public sewer
Technological wastewater	339,133	0	339,133	304,448	0	304,448	364,071	0	364,071
Other wastewaters	1,035,191	0	1,035,191	1,237,434	0	1,237,434	985,080	0	985,080
Total	**1,374,324**	**0**	**1,374,324**	**1,541,882**	**0**	**1,541,882**	**1,349,151**	**0**	**1,349,151**

Dorog

	2011			2012			2013		
	total quantity (m3)	natural waters	public sewer	total quantity (m3)	natural waters	public sewer	total quantity (m3)	natural waters	public sewer
Technological wastewater	705,125	705,125	0	575,078	575,078	0	619,404	619,404	0
Other wastewaters	34,464	0	34,464	26,736	0	26,736	20,046	0	20,046
Total	**739,589**	**705,125**	**34,464**	**601,814**	**575,078**	**26,736**	**639,450**	**619,404**	**20,046**

Debrecen

	2012			2013		
	total quantity (m3)	natural waters	public sewer	total quantity (m3)	natural waters	public sewer
Technological wastewater	0	0	0	0	0	0
Other wastewaters	0	0	0	0	0	0
Total	**82,438**	**0**	**82,438**	**52,111**	**0**	**52,111**

India

	2013		
	total quantity (m3)	natural waters	public sewer
Technological wastewater	38,325	0	38,325
Other wastewaters	2,920	0	2,920
Total	**41,245**	**0**	**41,245**

Total water effluent by water quality parameters

		2011		2012			2013			
	Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
KOI	mg/l	486	82	429	78	159	515	77	236	659
KOI	t/year	668	58	662	45	13.1	695	48	12.3	0.015
AOX	µg/l	131	482	261	478	0	247	473	0	not measured
Ammonium	mg/l	6.34	5.11	5.14	2.67	10.35	8.04	5.35	26.7	4,511
Total phosphorus	mg/l	0.232	0.15	0.331	0.322	2.45	0.433	0.17	13.04	n.a.
Total nitrogen	mg/l	n.a.	7.92	n.a.	6.567	20.68	n.a.	10.35	33.7	n.a.
Chromium (VI)	mg/l	0	<0.02	0	<0,005	0	0	<0,005	0	n.a.
VOC	t/year	66.8	6.34	64.9	2.72	0*	62.5	5.86	0*	0.54
VOC	%	0.96	0.04	0.94	0.04	0*	0.97	0.02	0*	0.03

*The Debrecen plant is not subject to the VOC directive.

Generated waste

			2011		2012			2013			
		Qu.	Budapest	Dorog	Budapest	Dorog	Debrecen	Budapest	Dorog	Debrecen	India
hazardous	total	t	6,459	13,838	6,463	13,515	10	6,349	12,340	33	609
	incineration	t	4,017	2,835	4,256	3,928	10	4,254	3,891	33	86
	other	t	2,442	11,003	2,207	9,587	0	2,095	8,449	0	523
non-hazard industrial waste		t	570	0	537	0	0	568	0	0	0
communal		m³	2,858	360	2,887	272	301	2,789	430	219	0

Environmental data: subsidiaries (Gedeon Richter Romania, Gedeon Richter RUS, Gedeon Richter Polska)

Materials used (2013)

	Quantity	GR Romania	GR RUS	GR Polska
Purchased chemicals	t	401	125	407
Purchased solvents	t	30	9	17
Recycled solvents	t	0	0	0
Nitrogen	m³	0	64	45

Energy consumption (2013)

	Quantity	GR Romania	GR RUS	GR Polska
Natural gas	GJ	34,575	0	33,043
Furnace oil	GJ	0	30,196	0
District heating	GJ	0	0	0
Electric energy	MWh	5,288	5,100	5,779
Electric energy	GJ	19,037	18,360	20,804

Solvent usage (2013)

	Quantity	GR Romania	GR RUS	GR Polska
Total quantity of solvents used	kg/year	29,760	9	16,780
Of this, quantity of reused solvents	kg/year	0	0	0

Water use (2013)

	Quantity	GR Romania	GR RUS	GR Polska
Total water quantity used	thd m³	73,362	15,614	39,031
Of this, quantity of reused water	thd m³	0	0	0

Water use by source (2013)

	Quantity	GR Romania	GR RUS	GR Polska
From surface water sources	thd m³	73,362	0	0
From subterranean water sources	thd m³	0	15,614	39,031

Emission of NOx, SOx and other significant air pollutants by emission type and quantity

	Quantity	GR Romania	GR RUS	GR Polska
VOC emissions*				
VOC discharge in air	t/year	30	9	10
VOC discharge in air	%	100	100	59
CO2	t/year	1,942	2,263	1,803
Quantity of other indirectly emitted greenhouse gases				
NOx	t/year	920	2,827	1,762
CO	t/year	56	1,288	248
Dust	t/year	0	0	13

*estimated value

Wastewater discharge (2013)

	GR Romania			GR RUS			GR Polska*		
	total quantity (m^3)	natural waters	public sewer	total quantity (m^3)	natural waters	public sewer	total quantity (m^3)	natural waters	public sewer
Technological wastewater	15,840	0	15,840	11,481	0	11,481	0	0	0
Other wastewaters	57,522	0	59,409	4,133	0	4,133	0	0	0
Total wastewater	**73,362**	**0**	**73,362**	**15,614**	**0**	**15,614**	**64,809**	**0**	**64,809**

*a unified channel is available for the drainage of the used technological and domestic water and rainwater

Total water effluent by water quality parameters

	Quantity	GR Romania	GR RUS	GR Polska
VOC*	t/year	0	0	0
KOI	mg/l	200	30.01	n.a.
KOI	t/year	3.17	0.47	n.a.
AOX	µg/l	0	0	0
Ammonium	mg/l	n.a.	0.37	n.a.

*estimated value

Generated waste (2013)

		Quantity	GR Romania	GR RUS	GR Polska
hazardous	total	t	37	41	6
	incineration	t	37	28	0
	other	t	0	13	0
non-hazard waste		t	57	0	151
communal		m^3	453	408	862

Quantity of ozone-depleting materials emitted into the air (2013)

Purpose of use	Quantity	GR Romania	GR RUS	GR Polska
manufacturing	kg	0	0	0
cooling	kg	107	96	n.a.

Work safety data: Hungary and India

Work accident indicators

	Budapest, Vecsés			Dorog			Debrecen	India*
	2011	2012	2013	2011	2012	2013	2013	2013
incapacity exceeding 3 days	44	36	41	12	10	13	0	2
sick leave days per accident (severity indicator)	36.0	34.0	24.8	26	27.9	27.85	0	30
work accidents per 1,000 persons (frequency indicator)	11.5	9.4	10.7	12.12	10.14	13.2	0	7.9
sick leave days per 1,000 persons	415.7	318.6	265	315.15	282.96	367.14	0	236.2

*Two people were injured in a work accident in 2013.

Days of sick pay due to accident

	2011	2012	2013
Budapest	1,586	1,223	1,018
Dorog	312	279	362
Debrecen	0	0	0
India	0	0	60

Work accidents by type

	Budapest			Dorog			Debrecen	India
	2011	2012	2013	2011	2012	2013	2013	2013
Falls, slipping	16	6	6	4	2	3	1	6
Cuts or puncture wounds	2	5	3	1	2	2	1	0
Skin corrosion or poisoning	0	0	0	0	1	0	2	0
Burns or scalding	2	1	2	0	0	0	0	2
Eye injuries	3	0	1	0	0	0	0	0
Blunt trauma, crushing or trapping	11	10	19	3	2	2	0	0
Other (strained joints, sprains)	10	14	10	4	3	6	0	0
Mechanical, technological	0	0	0	0	0	0	0	0

Work safety data: subsidiaries (Gedeon Richter Romania, Gedeon Richter RUS, Gedeon Richter Polska)

	GR Romania	GR RUS	GR Polska
incapacity exceeding 3 days	0	0	2
sick leave days per accident (severity indicator)	0	0	15
work accidents per 1,000 persons (frequency indicator)	0	0	4.4
sick leave days per 1,000 persons	0	0	65.5

Work accidents by type

	GR Romania	GR RUS	GR Polska
Falls, slipping	0	0	0
Cuts or puncture wounds	0	0	1
Skin corrosion or poisoning	0	0	0
Burns or scalding	0	0	0
Eye injuries	0	0	0
Blunt trauma, crushing or trapping	0	0	0
Other (strained joints, sprains)	0	0	0
Mechanical, technological	0	0	1

Work accidents by type

	GR Romania	GR RUS	GR Polska
Days of sick pay due to accident	0	0	30

Social Data

		2011	2012	2013
	Unit of measurement			
Employee headcount	persons	6,515	6,677	6,948
Hungary	persons	4,791	4,948	5,051
Foreign offices	persons	1,724	1,729	1,897
University graduates in Hungary	persons	1,836	1,848	1,920
Trade union members	persons	1,697	1,670	1,693
Training	persons	2,499	3,022	3,129
University education + PhD	persons	16	12	4
College education	persons	29	19	13
Accredited higher-education vocational training	persons	2	2	2
Bologna-system higher education	persons	120	116	120
Secondary education	persons	23	20	14
State-accredited vocational training	persons	293	525	339
Other vocational training	persons	44	22	26
Training related to statutory compliance	persons	343	978	645
Training courses (IT, other)	persons	892	667	1,332
Language courses	persons	602	684	619
Management training	persons	135	146	168

GEDEON RICHTER LTD.

QUALITY POLICY

We, the senior management of the Chemical Works of Gedeon Richter Ltd. commit ourselves to the continuous improvement of quality within our company.
The objective of our quality program is to provide compliance assurance resulting in superior quality, safety and efficiency of our products.
The company rigorously follows all professional regulations and guides applicable to the needs of our global customer base (e.g. GCP, GLP, and GMP regulations guidelines).
By the involvement of its entire personnel the company provides a high degree of assurance that every person is aware of the requirements and is doing his/her part to assure that each area within the company is in regulatory compliance.

In order to promote quality oriented thinking within the company we have established the "Richter basic principles" which formulate in an easily intelligible way the tasks and expectations of our all employees:

Regular training: It is compulsory for each employee to acquire the knowledge and keep up with the developments in the Professional domain, and that of Quality Assurance and Safety.

Information flow: Fulfillment of demands in a timely and faultless manner requires continuous provision of information to colleagues.

GXP: All activities having impact on product quality must be carried out in full compliance with the GXP principles in operation.

Hygiene: It is obligatory for each employee to learn and keep the instructions regarding hygiene.

Technological discipline: All activities must be carried out according to the Standard Operating Procedures and the authorised Manufacturing and Control Documentation in force.

Effectiveness: Satisfaction of our customers can be achieved by the consistently outstanding quality of our products. This is the way in which our activities can contribute to our continued success.

Reliable documentation: Traceability of the products and follow up of the occasional faults must be assured by reliable documentation practice.

Our strategy to become the most important pharmaceutical company in the Central and Eastern European region involves a broadening of the market served by the company to include the EU and USA in addition to the regional market of the CIS and Eastern Europe. We are aware that this objective can be achieved only by full compliance with the pertinent legal regulations.
We will ensure that regular training, up-to-date information and adequate working conditions are provided to facilitate working at a high level.

Budapest, October 26, 1998.

Lajos Pillich

Erik Bogsch

Environmental Protection Policy

We, the senior management of the **Chemical Works of Gedeon Richter Plc.**

- ***are familiar*** with and aware of the importance of protecting the environment,
- ***are devoted*** to the continuous improvement of the environmental performance of the Company and of our compliance with the relevant legal regulations and other requirements,
- ***are ready*** to combine the Company's nearly hundred-year-old traditions as well as its pharmaceutical and widespread scientific expertise with the today environmental standards of the world.

Environmental aspects are inherent components of our business decision-making process. Wherever possible, the prevention is of first priority. In this respect,our R&D activities of strategic importance as well as the various scopes of the development of our production processes and facilities play a significant role.

In any task we undertake, **we pay particular attention to**:

- the *identification, assessment and reduction* of the environmental impacts and risks resulting from our activities,
- the *improvement* of the ambient air quality, the *protection* of our water resources,
- *diminishing* of our noise emission,
- the waste management in conformity with the regulations.

The most significant environmental impacts and risks of the pharmaceutical production are resulted from manufacture of Active Substances. This process is characterized by the usage of large amount of volatile organic compounds (VOC) as solvents. It is our main concern to keep the environmental losses of these solvents on its current level, i.e. under 5% of the consumed quantities.

In order to achieve it we

- are continuously *developing* our production technology and we strive for the application of the best available techniques in order to diminish the environmental pollution accompanying our activities,
- are continuously *developing* the technical level of our production and service equipments.

For decreasing the risk of the soil and ground water pollution we are *modernizing* the infrastructure of the storage and supply chain of the chemical substances.

We are pursuing honest, open relationships with the authorities and the citizens and we attach importance to keeping the general public be informed. We are ready to participate in solving the environmental problems of the surrounding settlements in close co-operation with the local municipal governments.

We **expect and request** from all associates and subcontractors of our Company to comply with the environmental protection requirements on their own scopes of activity as well as to act in an environmentally devoted manner. We wish to achieve this goal by providing regular training, appropriate information, introducing incentive solutions, ensuring safe and healty working conditions.

Our Environmental Management System is devoted to promote the implementation of our targets. We believe that by this approach we can further strengthen the good reputation, the market position of the Chemical Works of Gedeon Richter Plc. and increase the trust of the citizens in our medicines.

Budapest, November, 2013

William de Gelsey
President

Erik Bogsch
General Manager

BUREAU VERITAS
Certification

RICHTER GEDEON NYRT.

1103 Budapest, Gyömrői út 19-21.
Hungary

This is a multi-site certificate, additional site details are listed in the appendix to this certificate

Bureau Veritas Certification certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below

Standards

ISO 14001:2004

Scope of certification

Manufacture of Active Pharmaceutical Ingredients and Finished Formulations, Pharmaceutical Research, Development and Commerce

Certification cycle start date: **18 June 2013**

Subject to the continued satisfactory operation of the organisation's Management System, this certificate expires on: **17 June 2016**

Original certification date: **28 August 2001**

Certificate No. HU001928-1

Revision date: **17 June 2013**

Certification Authority

Certification body address:Brandon House, 180 Borough High Street, London SE1 1LB,United Kingdom
Local office:Bureau Veritas Magyarország Kft., Budafoki út 56., H-1117 Budapest, Hungary

UKAS MANAGEMENT SYSTEMS
008

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organization.
To check this certificate validity please call **+36 1 802 6900**

OH&S POLICY

We, the representatives of Gedeon Richter Ltd.

- *are aware of and understand* the importance of occupational health and safety
- *commit ourselves* to the perpetual improvement of the organization's health and safety performance, to the compliance with current legislation and other requirements and to the prevention of occupational injuries and illnesses
- *undertake* that we combine our comprehensive scientific and pharmaceutical and other experience of more than a century with the modern technical, health and safety requirements

We pay special attention to the aspects of occupational health and safety when we make financial decisions. We consider prevention as first. Strategic R&D, investment and facility development play a major role in prevention.

Among our tasks we pay special attention to the followings

- identification of hazards, risk assessment and risk minimization of our activities - and the communication of these matters to the employees
- identification and management of the risk due to hazardous chemicals and noise exposure
- identification and management of psycho-social risks
- increasing the self containment and safety of batch technologies
- avoidance or substitution of carcinogenic substances wherever is possible
- managing the risks revealed by the risk assessment performed on our work equipment
- compliance with chemical safety requirements of EU regulations (REACH, CLP)
- major accident hazard prevention at all our sites
- optimizing the quantity of stored and handled hazardous substances

We attempt to maintain sincere relation with authorities and neighbour inhabitants, it is highly important for us to keep the public informed about our activities.

From our employees and contracted parties we expect and demand maximal adherence to health and safety requirements. We targeted to achieve this with the aid of regular trainings, adequate instructions, implementation of incentive solutions and providing safe and healthy working environment.

The accomplishment of our plans is promoted by OH&S Management System.

Budapest, 24 January 2012

Vilmos Gelsey
President

Erik Bogsch
Managing Director

BUREAU VERITAS
Certification

Certification

Awarded to

RICHTER GEDEON Vegyészeti Gyár Nyrt.
1103 Budapest, Gyömrői út 19-21.
2510 Dorog, Esztergomi út 27.
2220 Vecsés, Lőrinci u. 132.
HUNGARY

Bureau Veritas Certification certifies that the Management System of the above organisation has been assessed and found to be in accordance with the requirements of the management system standards detailed below

Standard

OHSAS 18001:2007

Scope of supply

MANUFACTURING OF ACTIVE PHARMACEUTICAL INGREDIENTS AND FINISHED PHARMACEUTICAL FORMS, PHARMACEUTICAL RESEARCH AND DEVELOPMENT AND COMMERCE

First original approval date: 24 FEBRUARY 2006 Last expiry date: 23 FEBRUARY 2012

Approval date: 22 FEBRUARY 2012 Last date of next recertification: 23 JANUARY 2015

Date of last recertification audit: 9 FEBRUARY 2012

Subject to the continual satisfactory operation of the organisation's Management System, this certificate is valid until:

23 FEBRUARY 2015

To check the validity of this certificate validity you may contact Bureau Veritas Certification.
Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation.

Date: 27 FEBRUARY 2012

Certificate number: **HU18339S**

Bureau Veritas Certification Hungary
Budafoki út 56., H-1117 Budapest
www.certification.bureauveritas.hu

Gedeon Richter Plc.

PHARMACOVIGILANCE POLICY

Our Company handles pharmacovigilance as an area of outstanding priority, thinks of it as a service, with the aim to be able to continuously ensure all circumstances of safe administration of our medicinal products for the patients and healthcare professionals, and to comply with all applicable health authority regulations and guidelines.

For safe drug administration Gedeon Richter Plc. provides always up-to-date information to patients and healthcare professionals, and ensures that all questions raised, all problems occurring during drug administration, shall be answered and resolved without any delay, and for this purpose channels of communication and sources of information with availability of 24/7 are maintained.

People react differently to applied medicinal products due to their biological variability. Adverse reactions (side-effects) occur even with drugs developed and manufactured with the highest level of care and cautiousness; all medicinal products have side-effects. The task of pharmacovigilance is to appropriately manage the risk that lies in the adverse reactions of a product, to allow us all to benefit from the indispensable curing effects of modern medicines.

In line with laws and regulations Gedeon Richter Plc. has set up its pharmacovigilance surveillance system, to ensure that any untoward effect occurring in connection with the administration of any of Richter's products shall be identified and collected, and the global analyses of the gathered data shall be fed back to contribute to making drug administration even more safe and to preventing occurrence of adverse reactions. Richter's pharmacovigilance system connects to the international adverse reaction surveillance networks, alerts and intervenes, if a new adverse reaction is identified, or if change in the safety profile of product is observed. All employees of the Company Group take part in this activity of surveillance, are trained and know their responsibilities, and are capable to perform their duties in pharmacovigilance. The collection and analysis of both medical enquires and adverse event data feed back to making the new Richter products in development even more exquisite.

The Company is dedicated to keep its pharmacovigilance system compliant with all health authority regulations, and to ensure that these highest standards of pharmacovigilance shall continuously apply at all part of the Company Group regardless of geographical location. Pharmacovigilance is our common responsibility and is in our common favour, which provides protection to the patient, to the product and to the Company, at the very same time.

Budapest, 26 January 2009

Erik Bogsch
Managing Director

György Németh, MD, PhD
Medical Director

Members of the Richter Group

Production and development subsidiaries and joint ventures

India, Vapi	Richter-Themis Medicare (India) Private Ltd.
China, Shanghai	GRmidas Pharmaceuticals Company Ltd.
Poland, Grodzisk	Gedeon Richter Polska Sp. z o.o.
Germany, Bovenau	Richter-Helm BioLogics GmbH & Co KG
Russia, Yegoryevsk	ZAO Gedeon Richter RUS CJSC
Romania, Marosvásárhely	Gedeon Richter Romania S.A.
Switzerland, Geneva	PregLem SA

Representative offices

Armenia	Yerevan	Russia	Irkutszk
Azerbaijan	Baku	Russia	Yekaterinburg
Belarus	Minsk	Russia	Kazan
Bulgaria	Sofia	Russia	Krasnodar
China	Shanghai	Russia	Moscow
Estonia	Tallin	Russia	Novosibirsk
Georgia	Tbilisi	Russia	Saint Petersburg
India	Mumbai	Russia	Volgograd
Kazakhstan	Almaty	Serbia	Belgrade
Kyrgystan	Bishkek	Tajikistan	Dushanbe
Latvia	Mārupe	Turkmenistan	Ashgabat
Lithuania	Chișinău	Ukraine	Kiev
Moldova	Ulánbátor	Uzbekistan	Tashkent
Mongolia	Ulan Bator	Vietnam	Ho Chi Minh City
Russia	Khabarovsk		

Sales and marketing companies

Armenia, Yerevan	SP OOO Richter-Lambron, SP OOO Gedeon Richter Apteka
Austria, Vienna	Gedeon Richter Austria GmbH
Belgium, Diegem	Gedeon Richter Benelux SPRL
Brazília, Sao Paolo	Gedeon Richter Do Brasil Importadora, Exportadora E Distribuidora S. A.
China, Shanghai	RXmidas Pharmaceuticals Company Limited
Columbia, Bogotá	Gedeon Richter Columbia S.A.S.
Croatia, Zagreb	Gedeon Richter Croatia d.o.o.
Czech Republic, Prague	Gedeon Richter Marketing ČR s.r.o.
France, Paris	Gedeon Richter France S.A.R.L.
Germany, Cologne	Gedeon Richter Pharma GmbH
Germany, Hamburg	Richter-Helm Biotec GmbH & Co. KG
Italy, Milan	Gedeon Richter Italia s.r.l.
Jamaica, Kingston	Medimpex West Indies Ltd.
Kazakhstan, Almaty	Gedeon Richter KZ
Mexico, Tlalnepantla	Gedeon Richter Mexico, S.A.P.I. de C.V.
Moldova, Chișinău	Richpangalfarma S.R.L., Gedeon Richter Retea Farmaceutica S.R.L.
Poland, Warsaw	Gedeon Richter Polska Sp. z o.o.
Portugal, Lisbon	Gedeon Richter Portugal, Unipessoal LDA
Romania, Cluj-Napoca	SC Pharmapharm Romania S.A.
Romania, Corunca	Gedeon Richter Farmacia S.A
Russia, Moscow	OOO Farmarichter
Slovakia, Bratislava	Gedeon Richter Slovakia, s.r.o.
Slovenia, Ljubljana	Gedeon Richter d.o.o.
Spain, Barcelona	Gedeon Richter Ibérica S.A.
Switzerland, Cham	Gedeon Richter (Schweiz) AG
Sweden, Stockholm	Gedeon Richter Nordics AB
Ukraine, Kiev	PAT Gedeon Richter UA
Ukraine, Vyshneve	PAT Gedeon Richter UA
United Kingdom, London	Gedeon Richter UK Ltd.
United States of America, Ridgewood	Gedeon Richter USA Inc.

GLOSSARY

Air quality The concentration of airborne pollutants in our environment.

Amino acids The building blocks of proteins.

Anaerobic process The name for biochemical processes that take place sealed off from the air.

BAT-NEEC Best Available Technology Not Entailing Excessive Costs.

Bio-equivalence The property of a generic product whereby it triggers an effect that is equivalent to that of the corresponding original product in the body. We regard this as proven if, after taking the generic product, the active ingredient molecule's blood level curve matches, within the error margin, the blood level curve of the active ingredient molecule absorbed from the original product. A prerequisite for proving bio-equivalence in this way is chemical equivalence; in other words, the chemical likeness between the generic active ingredient and the original active ingredient must be proven.

Biotechnology The synthesis of human drugs using genetically modified microorganisms, animal or plant cells.

CIS Commonwealth of Independent States, the former member states of the Soviet Union.

Clinical trial A study authorised by the authority registering the product – on the basis of approval by the relevant ethics committee – for the purpose of proving the efficacy and relative harmlessness of the product being tested.

CLP Classification, Labelling and Packaging. The CLP Regulation ensures that, through the classification and labelling of chemical substances, employees and consumers receive clear information about the danger represented by the chemical substances.

Combined heat and electrical energy (co-generation) This expression is used to describe the combined generation of heat and electrical energy.

Corporate social responsibility An initiative by a socially aware company: credible (certified) efforts to engage and conduct a dialogue with stakeholders, in line with business interests and with the purpose of representing and achieving social aims.

EMS Environmental Management System. The part of the overall resource management system that encompasses the organisational structure, planning activity, responsibilities, practices, procedures, process and resources necessary for elaborating, introducing, executing, reviewing and maintaining the environmental policy (MSZ EN ISO 14001).

Exposure Described in terms of the concentration of the given substances and the time for which the substance is in contact with the worker.

Generic product A drug that has the same quality and quantity composition, and the same form, as the reference drug, if its bio-equivalence with the reference drug has been proven with the appropriate bio-availability studies.

GCP Good Clinical Practice. The system of international ethical and scientific quality standards for the planning, implementation, documentation and reporting of clinical trials carried out on humans, which guarantee that the rights, safety and well-being of the persons involved in the trials are not compromised, and that the trial yields reliable data.

GDP Good Distribution Practice.

GLP Good Laboratory Practice. A quality assurance system that is concerned with the management and execution of non-clinical, medical and environmental safety studies, including their planning, implementation, controlling, documentation and archiving, and the issuance of the final report.

GMP Good Manufacturing Practice. The totality of the quality assurance requirements which, if complied with, ensure that the quality of products is always consistent, and meets the requirements of the marketing authorisation.

GPP Good Pharmacovigilance Practice.

GRI Global Reporting Initiative. An international organisation with the objective of standardising the content of sustainability reports issued by companies, and assisting with the preparation of the reports.

HTS laboratory High Throughput Screening laboratory. A modern technology for testing the reactions of potential drug molecules.

Indicator A measurement ratio for describing some kind of effect or state of affairs (environmental, economic, social).

Intermediate An intermediate product.

In vitro test Test performed without the use of living organism; e.g. a test performed on a cell culture.

kDa Kilodalton, a unit of measurement of the size of a molecule (molecule mass).

MA, MSc Postgraduate qualifications. MA = Master of Arts, MSc = Master of Science.

Marketing authorisation An authenticated official record specifying the name of the medicinal product and its other data required by law.

MEBIR The Health and Safety at Work Management System. Its guiding principles and structure are the same as those of the Environmental Management System. Its purpose is to continuously improve the company's performance in terms of health and safety at work, and the working environment.

Membrane bioreactor technology A wastewater purification process.

Monoclonal antibody These antibodies are special proteins generated in the course of the immune response, which recognise foreign proteins, microorganisms and toxins, bind to them and thus neutralise them. Monoclonal antibodies are antibodies grown in the same immune-cell colony, which are capable of binding to the foreign molecule concerned.

On-site firefighter A suitably trained employee within a company who performs fire-fighting standby duty over and above his/her own work duties.

PCR Polymerase chain reaction – a biomedical technology in molecular biology technology that enables the reproduction of a part of

	DNA with a given sequence, to create a quantity sufficient for the desired analysis.
Pharmacovigilance	Pharmacovigilance is a public health function of key importance. It is the activity, and science, of monitoring the safe use of medicinal products and implementing measures in the interests of reducing the risks of the medicines and improving their usefulness.
Pre-clinical stage	The stage of drug development that precedes human trials, encompassing the design of the prospective drug molecules, their synthesis and in-vitro and animal testing.
REACH	An acronym standing for “Registration, Evaluation and Authorisation of Chemicals”.
Reference medicinal product	A medicinal product already authorised for marketing in any EEA (European Economic Area) member country.
Roadshow	A communication tool for presenting the quarterly stock exchange reports.
Stakeholder	Anyone who, directly or indirectly, has an interest in, or is affected by, the given company.
Steroid	A group of substances with a special chemical structure.
Sustainable development	Development during which the needs of the present generation are met without damaging the opportunities for meeting the needs of future generations.
Synthetic medicinal product	A medicinal product with an active ingredient produced using a synthetic chemical process.

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Photographs: Gábor Bodó, Tamás Bujnovszky, Balázs Mudin, Shutterstock, Richter database
Layout and pre-press: advertcomm
This report is printed on recycled paper.

The previous report was made in respect of the years 2010-2011.
Reporting period: 2012–2013
We adhere to a two-year reporting cycle; we plan to publish our next report in 2016.

GRI compliance was audited by Alternate Kft.

For more information please call: Zsuzsa Beke, PR Head, +36 1 431 4888

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GEDEON RICHTER

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