

A N N U A L R E P O R T 2 0 0 7



GEDEON RICHTER

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GEDEON RICHTER

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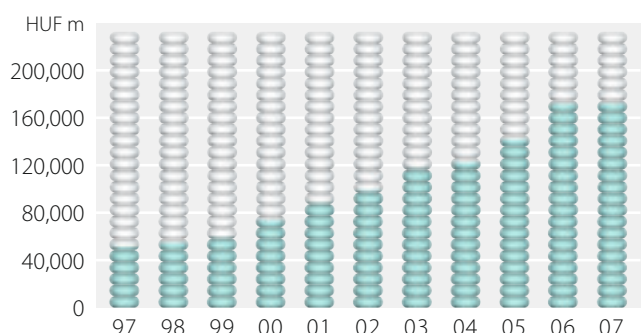


UNCONSOLIDATED FINANCIAL HIGHLIGHTS – GEDEON RICHTER PLC.

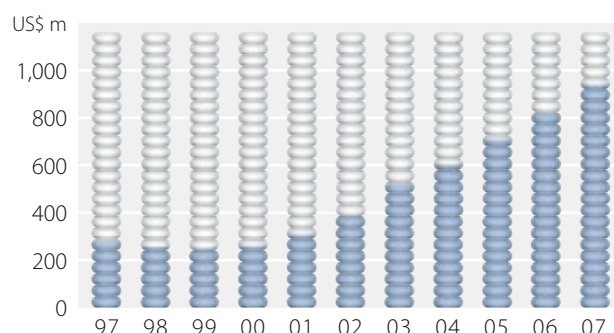
	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
Total sales	171,216	171,095	0.1	934.6	814.7	14.7
Operating profit	34,794	47,187	-26.3	189.9	224.6	-15.4
Net profit for the year	35,514	49,606	-28.4	193.9	236.1	-17.9

	2007	2006	Change	2007	2006	Change
	HUF	HUF	%	US\$	US\$	%
Earnings per share (EPS) *	1,906	2,662	-28.4	10.40	12.67	-17.9
Dividends per ordinary share	450	690	-34.8	2.46	3.29	-25.2

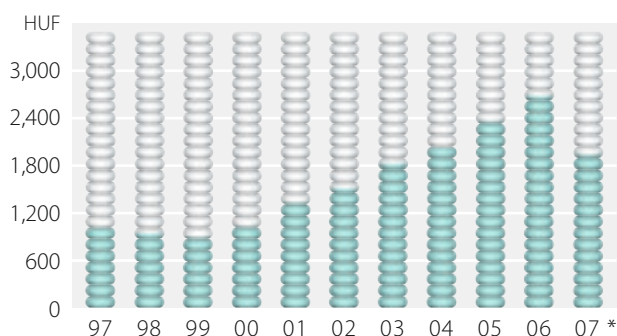
SALES



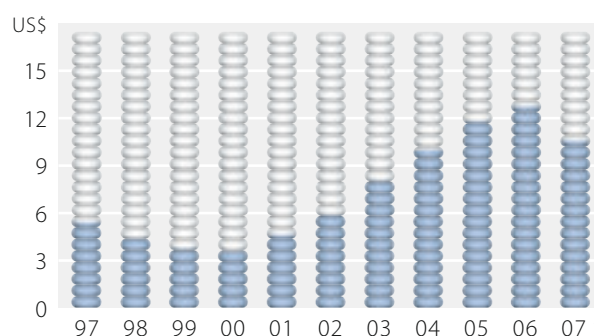
SALES



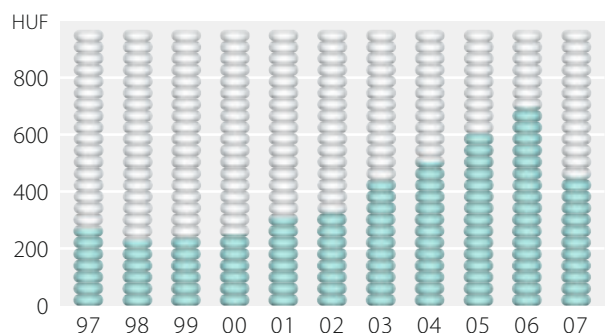
EARNINGS PER SHARE



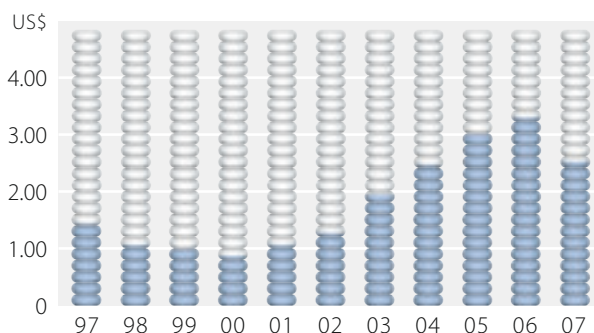
EARNINGS PER SHARE



DIVIDENDS PER ORDINARY SHARE



DIVIDENDS PER ORDINARY SHARE



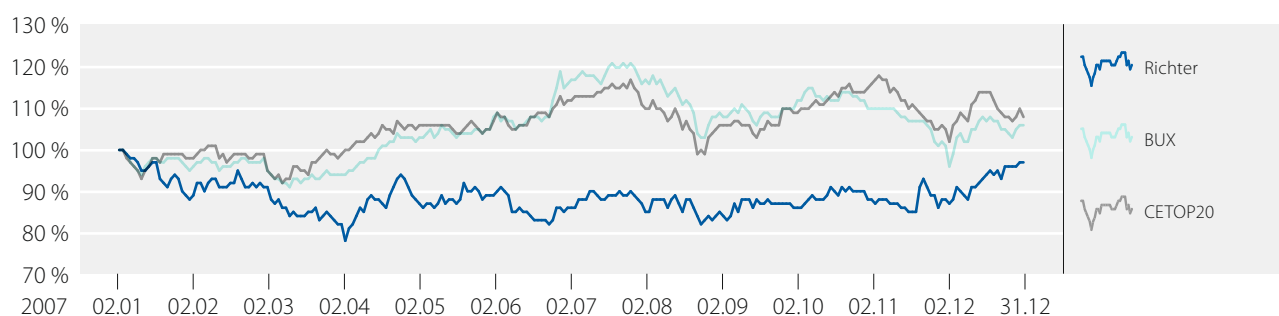
Notes: • Earnings per share: Calculations based on the total number of shares issued.

• 2007 dividends per ordinary share of HUF 450 are recommended by the Board of Directors.

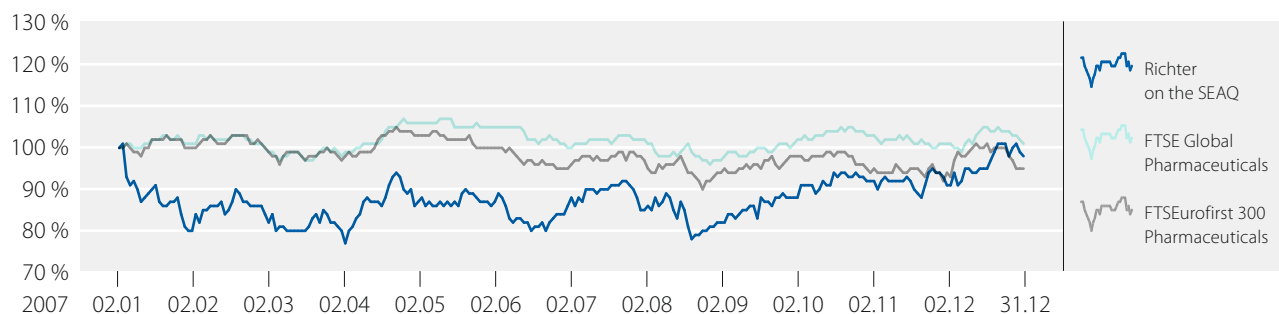
*Note: According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

SHAREHOLDERS' HIGHLIGHTS

GEDEON RICHTER SHARE PRICE AT THE BUDAPEST STOCK EXCHANGE COMPARED TO BUX AND CETOP20 INDICES



GEDEON RICHTER SHARE PRICE ON THE SEAQ COMPARED TO FTSE GLOBAL PHARMACEUTICALS AND FTSEUROFIRST 300 PHARMACEUTICALS INDICES



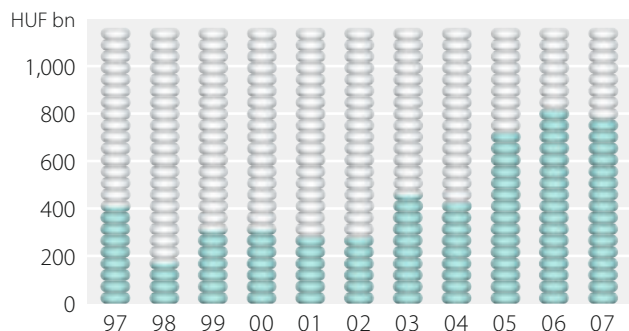
Notes:

- BUX Index constituents are (as of 31 December 2006): Állami Nyomda, Danubius, econet.hu, Egis, Émász, FHB, Fotex, Magyar Telekom, MOL, OTP, Phylaxia, Pannonplast, Rába, Richter Gedeon, Synergon, TVK.
- CETOP20 Index (Central European blue chip index) constituents are (as of 31 December 2006): Bank BPH, Bank Pekao S.A., Bank PKO BP, CETV, CEZ, Egis, Erste Bank, INA-industrija nafted. d., KGHM, Komercni Banka, MTelekom, MOL, OTP, PGNiG, PKN ORLEN, Richter, Telefónica O2 C.R., Telekom Polska, Unipetrol, Zentiva.
- FTSE Global Pharmaceuticals Index (FTGPH) constituents are (as of 31 December 2007): Abbott Laboratories, Allergan, Altana, Amersource Bergen, Amgen Corp, Astellas Pharmaceutical, AstraZeneca, Biogen Idec, Bristol Myers Squibb, Celgene Corp, Chugai Pharm, CSL Ltd., Daiichi Sankyo, Eisai, Eli Lilly, Forest Laboratories, Genentech, Genzyme General, Gilead Sciences, GlaxoSmithKline, Johnson & Johnson, Merck & Co, Novartis N, Novo-Nordisk B, Pfizer, Roche Holding AG, Sanofi-Aventis, Schering-Plough, Takeda Pharmaceutical, Wyeth.
- FTSEurofirst 300 Pharmaceuticals (E3PHRM) constituents are (as of 31 December 2007): AstraZeneca, Elan Corporation, GlaxoSmithKline, Novartis N, Novo-Nordisk B, Roche Holding AG, Sanofi-Aventis, Shire, UCB.

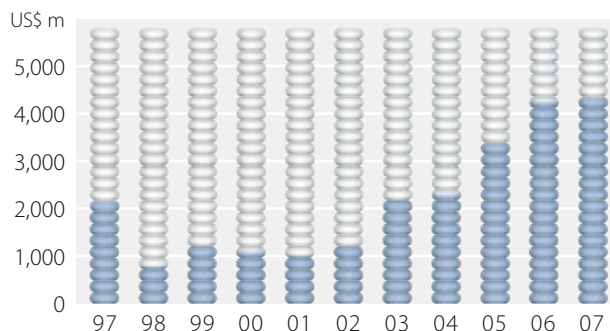
Source: Reuters, BÉT

The company's market capitalisation decreased slightly during 2007 and totalled HUF 773 billion based on the Budapest Stock Exchange share price. In US\$ terms it remained almost unchanged based on the SEAQ share price with a market capitalisation amounting to US\$ 4,308 million on the last trading day in 2007.

MARKET CAPITALISATION



MARKET CAPITALISATION



Note: • All data based on year-end prices; calculations based on the total number of shares issued, forint calculations based on the performance of Richter share price on the Budapest Stock Exchange, dollar calculations based on the SEAQ share price.



William de Gelsey • Chairman

It is my pleasure to welcome you and to present an update of your Company's performance in 2007. I regret that I have to report the negative repercussions on our business resulting from the Government's austerity measures, which were introduced at the end of 2006 and resulted in a poor performance of the domestic market during the year under review. Further due to the weakness of the US dollar which affected adversely our export income expressed in Hungarian forints, nevertheless the encouraging export performance to the CIS and the USA helped to counterbalance somewhat the unsatisfactory developments in Hungary.

The unfortunate management by the Government of the domestic healthcare system by an indiscriminant modification of the reimbursement scheme and the extortionist price reductions of medicines has reinforced the strategic decision of the Company to strengthen its market position in Central and Eastern Europe. A highly important development was the combination with Polpharma, the largest Polish generic Company, and has thus become the most significant regional drug manufacturers of Central and Eastern Europe and this move was approved by our shareholders at the Extraordinary General Meeting on 18 December 2007.

I am particularly pleased to report on an important extension of our business into biotechnology. The first step was the acquisition of Strathmann Biotec GmbH Co. & KG, a well established German biotec company, jointly with Helm AG.

Notwithstanding the many problems in the domestic market, may I express on behalf of the Board, a special recognition and thanks to Erik Bogsch, the Managing Director and his splendid management team who together with our employees in Hungary and elsewhere in the World had accomplished remarkable results by their hard work and in particular in the export field.

I would also like to express my appreciation to my colleagues on the Board who, with their wise counsel, have effectively contributed to the satisfactory outcome of 2007.

In conclusion I can promise that our combined efforts will surmount the challenges of 2008 and continue to provide our shareholders with a long term stability and a growing value of their investment.



William de Gelsey

Chairman

COMPANY'S BOARDS

BOARD OF DIRECTORS

WILLIAM DE GELSEY (1921)

Senior adviser to CA IB Corporate Finance Limited, Member of UniCredit Markets & Investment Banking Division Vienna, London and Budapest. Has over 50 years of international investment banking experience. He also has significant banking experience in Hungary. A graduate of Trinity College, Cambridge. Joined the Board in 1995. Chairman since 1999.

ERIK BOGSCH (1947)

Appointed Managing Director in November 1992. Chemical engineer, qualified economic engineer. With Richter since 1970 in a number of Research and Development management positions. Medimpex director in Mexico from 1977 to 1983. Managing Director of Medimpex UK from 1988 to 1992. Member of the Board of MAGYOSZ, Chairman from March 2006.

Dr GYÖRGY BÍRÓ (1945)

Legal adviser, specialising in economic law. Director of Industrial Association between 1982 and 2006. Legal-International Secretariat Directorate. Joined the Board in 1998.

GÁBOR BOJÁR (1949)

President and Co-Founder of Graphisoft SE., established in 1982. A physicist, graduate of Eötvös Loránd Tudományegyetem (ELTE) in Budapest. Previously worked in the Geophysical Institute at ELTE. Has been a member of the Board since 1995.

Dr JENŐ KOLTAY (1944)

Economist, University doctorate in Economic Sciences. Director of Institute of Economics of the of the Hungarian Academy of Sciences. Visiting fellow and visiting professor at several Research Institutions and Universities. Joined the Board in 1998.

Dr LÁSZLÓ KOVÁCS (1944)

Strategic adviser to the Executive Board of Gedeon Richter Plc. Previously Deputy Managing Director with responsibility for Commerce and Marketing from 1990 to 2005. Economist, University doctorate in Economic Sciences. Formerly with Medimpex from 1966 to 1990, Secretary of the Commercial Section of the Hungarian Embassy in São Paulo, Brazil, 1975 to 1978. Joined the Board in 1992.

CHRISTOPHER WILLIAM LONG (1938)

Career diplomat. Experience in the full range of diplomatic work including management, personnel, political and economic analysis. British Ambassador to Hungary from 1995 to 1998. Joined the Board in 1998.

Dr TAMÁS MÉSZÁROS (1946)

Candidate of Economic Sciences, doctor representative of the Hungarian Academy of Sciences. Rector of the Budapest Corvinus University since 2004. President of the Board of Directors of the Hungarian Privatisation and State Holding Company between 2002 and 2006. Joined the Board in 2006.

Dr GÁBOR PERJÉS (1941)

Medical doctor, urologist, nephrologist. Between 1966 and 1970 assistant at the Postgraduate Medical School. Member of Parliament from 1990 to 1994. Currently practising as a physician, appointed medical manager of Gyógyír XI. Public Company responsible for medical services in district XI of Budapest. Has been a member of the Board since 1992.

ISTVÁN SOMKUTI (1958)

Economist. Employed by Hungarian State Holding Company Ltd., Deputy Managing Director of the Portfolio Department. Joined the Board in 2004.



EXECUTIVE BOARD



ERIK BOGSCH (1947)

Appointed Managing Director in November 1992. Chemical engineer, qualified economic engineer. With Richter since 1970 in a number of Research and Development management positions. Medimpex director in Mexico from 1977 to 1983. Managing Director of Medimpex UK from 1988 to 1992. Member of the Board of MAGYOSZ, Chairman from March 2006.

Dr GÁBOR GULÁCSI (1958)

Appointed Deputy Managing Director upon joining the Company in February 2000. Responsible for Finance. Economist, University doctorate in Economic Sciences. Previously General Secretary of State, Ministry of Economic Affairs.

LAJOS KOVÁCS (1960)

Appointed Director in 2005. Responsible for Technical services. Chemical engineer, with postgraduate degree in pharmaceutical research. With Richter since 1984 in different positions. Research fellow at the University of Liverpool (UK) between 1987 and 1989.

SÁNDOR KOVÁTS (1960)

Appointed Director in 2006. Responsible for Commercial Services. Chemical engineer specialised in refined chemistry. Joined Richter in 1984 and has been in a number of management positions including Director responsible for Technical Services at Gedeon Richter USA Inc. during 2001 and 2002.

ANDRÁS RADÓ (1954)

Appointed Director in 1995. Responsible for Production and Logistics. Deputy Managing Director since 2000. Chemical engineer, economic engineer. With Richter since 1979 in a number of management positions.

Dr ZSOLT SZOMBATHELYI (1957)

Appointed Research Director in October 2000. Physician, graduated from the Semmelweis Medical University. With Richter since 1981, in a number of management positions. Director of the Representative Office of Medimpex Japan Co. Ltd. in Tokyo from 1993 to 1998.

Dr GYÖRGY THALER (1959)

Appointed Development Director in 1993. Chemical engineer, University doctorate in Chemical Sciences. With Richter since 1983 in a number of management positions.

SUPERVISORY COMMITTEE

Dr ATTILA CHIKÁN (1944)

Professor of the Corvinus University of Budapest, Business Economics Department. Manager of the Competitiveness Research Centre, doctor of the Hungarian Academy of Sciences. Between 2000 and 2003 Rector of the Budapest University of Economics and Public Administration. From 1998 to 1999 Minister of Economy. Chairman of the Supervisory Committee since 2000. Member, Chairman of Audit Committee.

JÓZSEF ERŐS (1933)

Qualified accountant, qualified tax adviser, qualified price expert. Previously Deputy Head of Accounting at the Ministry of Finance. Joined the Committee in 1991. Member of Audit Committee.

JENŐ FODOR (1958)

Employee representative. MA in Chemical-mechanics. With Richter since 1984, Head of Capital Expenditure Department at Dorog Site. Joined the Committee in 2006.

Dr MÁRIA BALOGH, JÁNOKINÉ (1951)

Economist with University doctorate in Economic Sciences. Executive Director at Magyar Hitelbank since 1987. Deputy General Manager of OTP Bank since September 1995. Has been a member of the Committee since 1990. Member of Audit Committee.

VENCELNÉ SEDLÁK (1953)

Employee representative. Chemical engineer, quality system engineer qualifications. With Richter since 1971. Head of Validation Department at the Quality Assurance Directorate from January 2000. Joined the Committee in 2001.

Dr GÁBOR SIMON KIS (1940)

Private pharmacist, economist, PhD in Economics. Head of Department at Ministry of Health from 1971 to 1988, then Director of Institute of National Hospital and Medical Technology until 1995. Joined the Committee in 1998.

ANDRÁS SUGÁR S. (1956)

Electrical and economic engineer. Managing Director at Alaska Advisory Ltd. since 2000. Joined the Committee in 2004.

GÁBOR TÓTH (1955)

Employee representative. Chemical engineer, economic engineer. With Richter since 1980, currently responsible for administration of the share register and representing the Company at the Budapest Stock Exchange (BSE) regarding domestic shareholders' issues. Joined the Committee in 1990.

CHANGES TO BOARDS WHICH OCCURRED DURING 2007

At the Annual General Meeting on 25 April 2007, the following were re-elected to the Board of Directors:

- Mr Christopher W. Long
- Dr Jenő Koltay
- Dr György Bíró
- Mr István Somkuti.

At the Extraordinary General Meeting held on 18 December 2007, the following members resigned from their positions at the Company's Boards:

- Dr György Bíró
- Dr Jenő Koltay.

The following were appointed to the Company's Boards until the 2011 Annual General Meeting:

- Mr Jerzy Starak
- Mr Gabriel Wujek and
- Mr Markus Sieger.

The following were reappointed to the Company's Boards until the 2011 Annual General Meeting:

- Mr William de Gelsey
- Mr Erik Bogsch.

The Annual General Meeting elected as a member of the Supervisory Committee until the 2009 Annual General Meeting the following:

- Mr Piotr Bardzik.

All changes in the Company's Boards will become effective and are conditional upon the acknowledgement by the Court of Registration of the share capital increase.

DIRECTORS AND ORGANISATION

The Company differentiates the roles and responsibilities of the Board of Directors, the ultimate decision-making body except with respect to those matters reserved to the shareholders, which itself has operated with two subcommittees since 2004 – a Corporate Governance subcommittee and a Compensation subcommittee, the Executive Board which is responsible for the executive management of the Company's business, and the Supervisory Committee which is the controlling body of the Company. Establishment of an Audit Committee was approved by the Annual General Meeting held on 25 April 2007.

CORPORATE GOVERNANCE

Throughout 2007 Gedeon Richter has complied fully with the highest ethical standards and acted according to both the legal and regulatory requirements following the Corporate Governance Recommendations of the Budapest Stock Exchange.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting is the highest decision-making body of the Company, comprising all shareholders.

The Annual General Meeting will be held at 15.00 and if an insufficient quorum, at 16.00 on 28 April 2008 at Budapest H-1143, Stefánia út 34.

INVESTOR RELATIONS ACTIVITIES

The Company reports formally to shareholders four times a year, as its quarterly non-audited results are announced, and publishes its Annual Report including audited figures by the date of the Annual General Meeting. The AGM of the Company takes place in Budapest and formal notification is sent to shareholders at least four weeks in advance of the meeting. At the Meeting a business presentation is made to shareholders by the Managing Director, and all Directors are available during the meeting for questions.

Management, principally the Managing Director and investor relations staff, maintain a dialogue with institutional shareholders on Company plans and objectives through a programme of conferences, regular meetings, conference calls and roadshows. Representatives of the IR Department of Gedeon Richter Plc. participated at 6 international conferences and 6 roadshows in 2007. Gedeon Richter's management held 56 meetings for approximately 162 fund managers and analysts at its headquarters presenting the Company's business progress and financial results. Conference calls were organised during the year, following publication of the quarterly reports of the Company.

CONFERENCES IN 2007

JP Morgan '25th Annual Healthcare Conference'	San Francisco, 08-11 January 2007
Citigroup '2007 IR University: Connecting the Moving Parts'	London, 16 January 2007
Citigroup 'Global Healthcare Conference'	New York, 22-24 May 2007
BSE, Capital Bank AG 'Hungarian Investor Conference'	Budapest, 01 June 2007
Erste 'Investor Conference'	Stockholm, 11 June 2007
Merrill Lynch 'Global Pharmaceutical, Biotechnology & Medical Devices Conference'	London, 18-20 September 2007

INVESTOR ROADSHOWS IN 2007

London, Edinburgh	12-14 February 2007
New York	06-07 March 2007
Frankfurt	18 April 2007
London, Edinburgh	01-03 October 2007
London, Edinburgh	21-23 November 2007
New York, Boston	26-28 November 2007

The Company's renewed website (www.richter.hu) includes a section meeting the specific stated needs of investors, analysts and media concerning information on Richter's business operations.

The Company's Investor Relations Department with its office in Budapest continues to act as a focal point for contact with institutional shareholders. (e-mail: international.finance@richter.hu Phone: +36 1 431 5764)

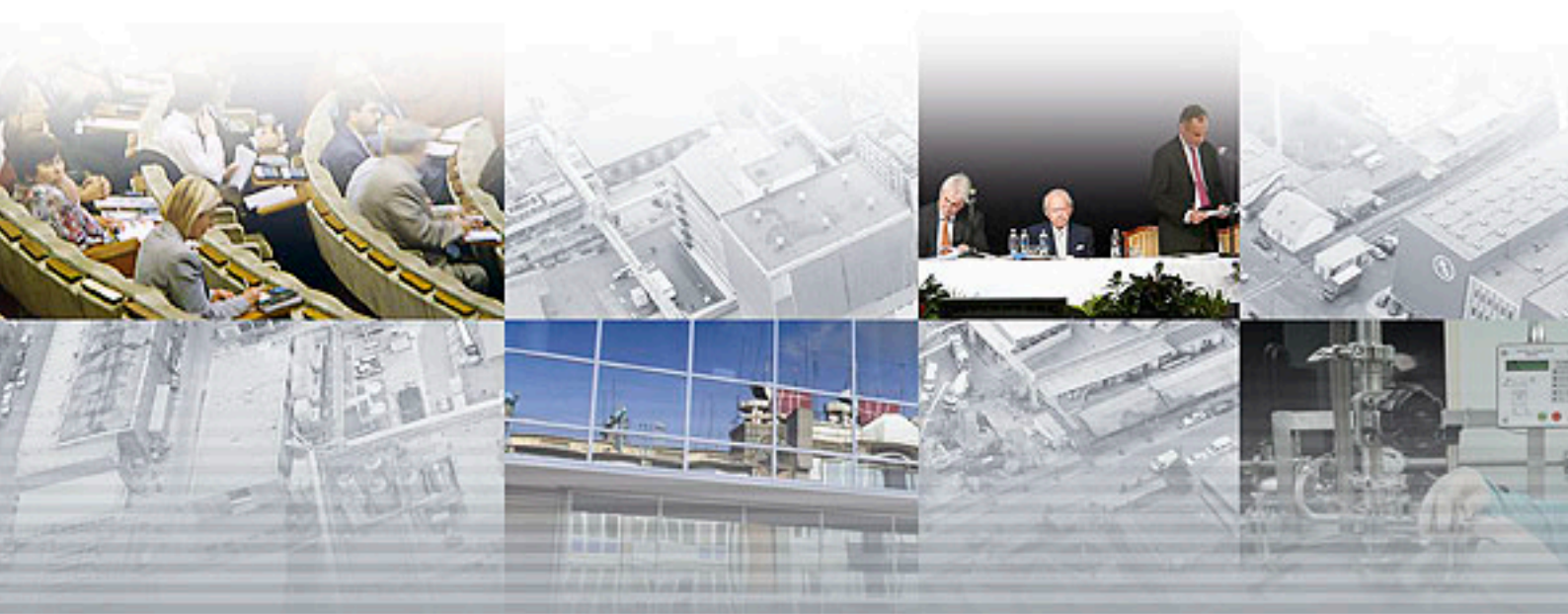
ANALYSTS PROVIDING REGULAR COVERAGE ABOUT THE COMPANY DURING 2007

Company	Analyst	Company	Analyst
ABN Amro	Mr Kevin Sharpe	JP Morgan	Mr Alex Comer, Ms Gülsen Ayaz
Cashline	Mr Kornél Sarkadi Szabó	KBC Securities	Mr Péter Tordai, Ms Barbara Jánosi
CIB Bank	Mr Péter Dobár	Merrill Lynch	Mr Andreas Schmidt
Concorde	Mr Attila Vágó	Nomura	Mr Frances Cloud
Credit Suisse	Mr Ravi Mehrotra	Raiffeisen	Mr Ákos Herczenik
Deutsche Bank	Mr Gergely Várkonyi	UBS Warburg	Mr Andrzej Kasperek
Erste	Ms Vladimíra Urbánková	Unicredit	Ms Katalin Dani
ING	Mr Róbert Kerekes	Wood	Mr Bram Buring

DIVIDEND

In accordance with the dividend policy practised by the Company, the Board of Directors recommends the payment of 25 percent of net profit calculated according to the Hungarian Accounting Law for 2007.

Dividends approved by the shareholders of the Company at the Annual General Meeting held on 25 April 2007 totalled HUF 12,842 million (US\$ 66.6 million) in respect of 2006. The portion payable in relation to ordinary shares was HUF 12,842 million (US\$ 66.6 million) or HUF 690 per share, 69 percent of the nominal share value; the portion payable in relation to preference shares was HUF 0.4 million or HUF 120 per preference share. The record dates for these dividend payments were announced on 23 May 2007 with payments having commenced on 18 June 2007.





Erik Bogisch • Managing Director

We have completed another challenging year in 2007 with substantial progress made in some of the key areas of our business.

Good growth was achieved in all export markets in 2007, while difficult market conditions on the domestic market prevailed throughout the year. We reported excellent performance in the CIS, representing a significant 20 percent increase compared to 2006. Good sales growth over a relatively high base was recorded in Russia and this was enhanced by excellent growth achieved in other countries of the region. All of the growth reported in Russia came from the private market. With the uncertainty in the DLO system which prevailed in 2007 we supplied products only to a limited extent. In the USA, the healthy 19 percent growth was primarily due to continuous shipments of both steroid active pharmaceutical ingredients and certain generic products. The 12 percent growth in EUR terms in the EU countries also contributed to our good overall performance. As a consequence of the difficult macroeconomic environment combined with the government austerity measures, pharmaceutical market conditions in Hungary remained unfavourable and resulted in a 14 percent decline in HUF terms year on year in the Company's sales levels.

One of our primary strategic objectives is to strengthen the Company's presence in its traditional markets – CEE and CIS. In the Company's well established business model our recognised therapeutic niche is female healthcare while our geographic niche – CEE and CIS – also plays a key role. We have been for some time seeking opportunities in the CEE to find a strategic fit to our Company. On 15 November 2007 we announced a combination with one of the leading Polish pharmaceutical companies, Polpharma in the value of US\$ 1.3 billion and an option for the acquisition of the Russian pharmaceutical company, Akrihin. As a result of these transactions the enlarged Richter becomes a leading regional player. The combined product portfolios are highly complementary and will enhance Richter's generic development capability. Substantial annual revenue and cost synergies are expected to be realised in the value of US\$ 35 million. The Extraordinary General Meeting held on 18 December 2007 approved the combination which remains conditional *inter alia* upon certain regulatory consents and registration by the Court of Registration. It is currently expected that the combination will be completed in the first half of 2008. I believe that the combination has a strong and compelling strategic rationale, representing a significant opportunity to create substantial long term value for our shareholders.

I have always considered innovation as a key element in our strategy and in pursuit of this, we have searched for opportunities in new, innovative areas. I was pleased when we entered into an agreement with Helm AG to acquire Strathman Biotec GmbH Co. & KG. This new joint venture company will be owned 70 percent by Richter and Helm 30 percent. This facilitates the achievement of a strategic goal of Richter which is to establish a strong biopharma line to be both competitive and an expansion of our worldwide product portfolio offering products with high added value.

Another important area where innovation is paramount is our ongoing research collaboration with Forest Laboratories. In mid October 2007 we jointly published preliminary data of the Phase II clinical trials of RGH 188, a novel antipsychotic for the treatment of schizophrenia. Proof of concept was demonstrated and dose ranging studies continue as part of further Phase II trials.

It is pleasing to report that in our therapeutic niche area, gynaecology, where we have unique steroid chemistry knowledge, we achieved substantial growth during 2007. This product group represented 34 percent of the Company's total turnover in 2007 and increased by 31 percent in US\$ terms when compared to the previous year. With usage of female healthcare products in our region still substantially lower than that in the 'traditional' EU countries, gynaecology products are expected to remain to be key drivers of growth in the coming years.

I continue to have every confidence in the knowledge and skills of Richter's staff and would like to take this opportunity to thank them for their contribution to the results that Richter has achieved. I also want to thank our shareholders and investors for their continued confidence in our strategies, in the skill and vision of our management team and in our commitment to maximise opportunities to ensure sustainable, long-term shareholder growth.

A handwritten signature in blue ink, reading "Erik Bogisch". The signature is written in a cursive style with a prominent initial "E".

Erik Bogisch
Managing Director



MARKETS

Richter is the largest Hungarian pharmaceutical company. In addition to its home market the Company sells APIs and finished form drugs to nearly one hundred countries around the world. Richter has a traditionally strong brand name and a well established sales network in Hungary, in Central and Eastern European and CIS countries. In the USA and the 'traditional' 15 EU countries Richter's products are marketed under a framework of strategic partnerships and long-term supply agreements.

The Company achieved good overall performance in 2007, except that recorded in Hungary. Whilst sales turnover in each export region was better than expected, we had to face increasingly difficult market conditions in Hungary. Sales amounted to HUF 171,216 million (US\$ 934.6 million) representing flat sales levels (14.7 percent growth in US\$ terms) when compared with 2006.

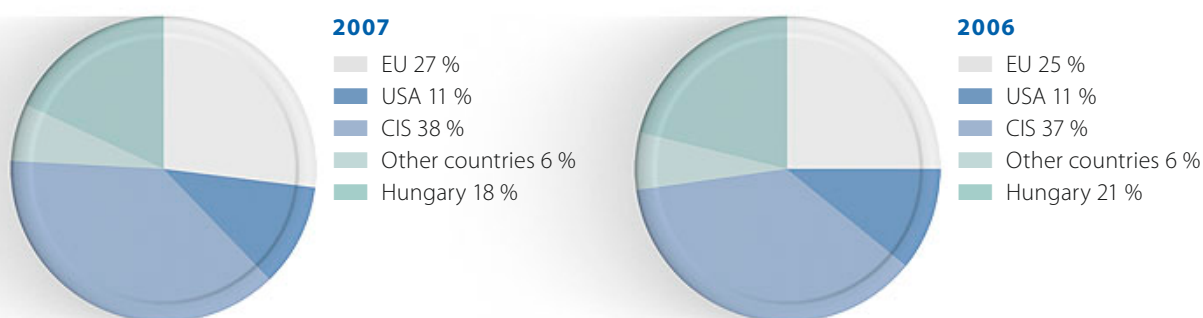
SALES BY REGION

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
		Restated (1) (2)			Restated (1) (2)	
Hungary	31,124	36,183	-14.0	169.9	172.3	-1.4
Export	140,092	134,912	3.8	764.7	642.4	19.0
CIS	65,295	62,558	4.4	356.4	297.9	19.6
EU ⁽¹⁾	45,754	43,095	6.2	249.7	205.3	21.6
USA	19,232	18,582	3.5	105.0	88.4	18.8
Other countries ⁽²⁾	9,811	10,677	-8.1	53.6	50.8	5.5
Total	171,216	171,095	0.1	934.6	814.7	14.7

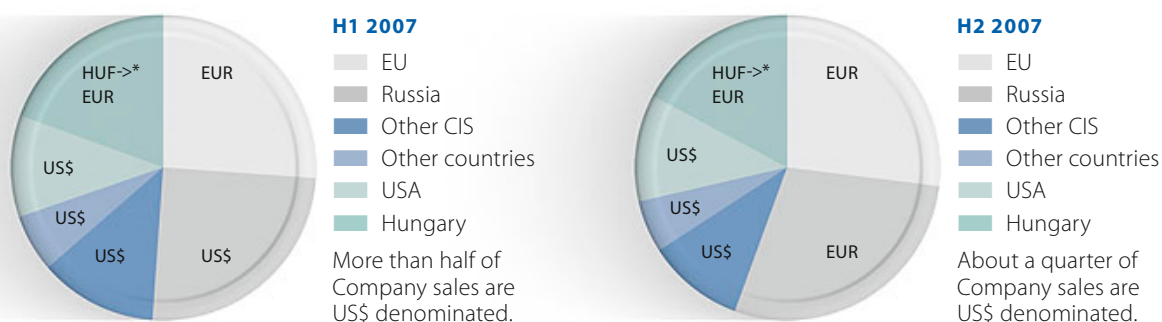
Notes: ⁽¹⁾ All Member States of the enlarged EU following 1 May 2004 and 1 January 2007, except for Hungary. Figures of the period for comparison are restated.

⁽²⁾ Restated to exclude Romania & Bulgaria following their accession to EU on 1 January 2007.

SALES ANALYSIS BY REGION



SALES ANALYSIS BY CURRENCY IN 2007



* Note: HUF exchange rate is linked to the EUR.

The unfavourable trend in the macroeconomic environment in Hungary continued in 2007. GDP growth was 1.3 percent, while both inflation and unemployment rates were higher than expected. The exchange rate of the HUF against the US dollar and the Euro further strengthened during 2007, while although the fiscal deficit decreased to some extent, balance of payment problems prevailed throughout the year.

As a consequence of the government's actions conditions on the Hungarian pharmaceutical market remained very uncertain and unpredictable. Several new measures came into force in the healthcare system with effect from January 2007.

The Ministry of Health announced an amendment to the decree regulating the reimbursement system which reduced normative reimbursement levels substantially from the previously established rates, thereby increasing the co-payment required of patients. New rules were introduced also for the launch of generic products - manufacturer prices for the first generic version have to be at least 30 percent below the original price, prices for the second version should be lower by a further 10 percent and prices for the third generic drug are expected to be another 10 percent lower.

It was established that changes to fixed reimbursement categories are expected to occur quarterly during the year instead of once per year as previously and these were combined with amendments introduced to the requirements for calculation of the reference price and selection of the reference product.

According to the new Drug Economic Act, pharmaceutical companies are obliged to pay 12 percent tax on the full year amount of the subsidy calculated on producer prices on reimbursed products – based on pharmacy turnover data. Furthermore, any potential overspending of the reimbursement budget is to be jointly financed by the NHIF (National Health Insurance Fund) and pharma companies. In addition the act gave authorisation for a HUF 5 million registration fee per annum per medical representative to be established.

In the twelve months to December 2007 no overspending was reported by the National Health Insurance Fund. Thus, aside from the 12 percent reimbursement tax, it is expected that no further contribution by the manufacturers will be required in 2007. Notwithstanding this, the Association of Hungarian Manufacturers has challenged at the Constitutional Court certain articles of the Drug Economic Act including the excessive rate of the reimbursement tax, the high level of the medical representatives' registration fee and the potential claw-back should the reimbursement budget be overspent. The Court's decision is currently expected to be announced in 2008.

The 2007 sales performance by the Company showed a significant decline principally due to the austerity measures which impacted the Hungarian economy in general and the pharmaceutical sector specifically. Another factor which impacted sales levels occurred as a result of the discontinuation of the distribution of some OTC products during the year. Management initiated certain cost cutting measures in order to offset, at least partly, the adverse business environment.

In Hungary sales totalled HUF 31,124 million (US\$ 169.9 million) in 2007, 14.0 percent (1.4 percent in US\$ terms) lower than in 2006, a performance very much influenced by price reductions imposed through the new subsidy system.

Reimbursed products suffered significant price reductions on the domestic market during 2007 including leading products such as QUAMATEL -21 percent, NORMODIPINE -36 percent, EDNYT -36 percent, LISONORM -16 percent and REXETIN -13 percent. Price cuts noted are compared to 1 January 2007 price levels.

Overall, approximately 65 percent of the more than HUF 5 billion year-on-year decline in domestic sales for the twelve months to December 2007 can be attributed to reduced prices with the remaining 35 percent being due to lower volumes.

During 2007 the Company on a number of occasions increased the prices of certain non reimbursed products.

Notwithstanding the difficult market conditions, certain products showed good performance during 2007, primarily CALCISEDON-D and ATORVOX together with LISONORM and LAMOLEP.

Based on the latest available market audit (IMS) data for the twelve month period January-December 2007 Richter is the fourth ranked player on the Hungarian pharmaceutical market with 6.1 percent market share.

TOP 10 PRODUCTS IN HUNGARY

Product	Active ingredients	Therapeutic area	2007	2006	Change	
			HUF m	HUF m	HUF m	%
Oral contraceptives	hormones	Gynaecology	2,953	2,830	123	4.3
EDNYT / LISOPRESS	enalapril + lisinopril	Cardiovascular, antihypertensive	2,367	3,241	-874	-27.0
QUAMATEL	famotidine	Gastrointestinal, antiulcer	2,331	3,365	-1,034	-30.7
CAVINTON	vinpocetine	Central nervous system	2,314	2,386	-72	-3.0
NORMODIPINE	amlodipine	Cardiovascular, antihypertensive	2,094	3,968	-1,874	-47.2
MYDETON	tolperisone	Muscle relaxant	1,175	1,272	-97	-7.6
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	857	624	233	37.3
SEDRON	alendronate	Osteoporosis	828	499	329	65.9
CALUMID	bicalutamide	Prostate cancer	799	1,008	-209	-20.7
REXETIN	paroxetine	CNS, antidepressant	794	998	-204	-20.4
Subtotal			16,512	20,191	-3,679	-18.2
Other			14,612	15,992	-1,380	-8.6
Total			31,124	36,183	-5,059	-14.0

NEW PRODUCTS LAUNCHED IN HUNGARY DURING 2007

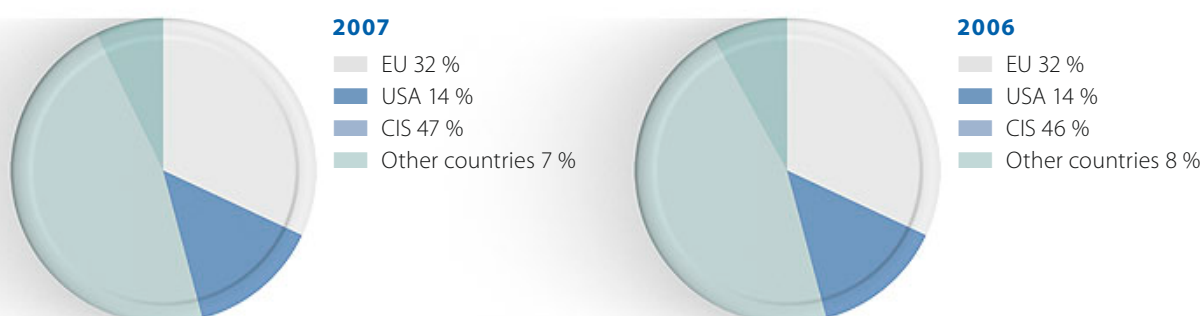
Brand name	Active ingredients	Therapeutic area	Launch date
GLINDIA*	glimepiride	Antidiabetic	Quarter 2, 2007
PORTIRON	losartan	Cardiovascular, antihypertensive	Quarter 2, 2007

* Note: Licenced-in products.

EXPORTS

Exports amounted to US\$ 764.7 million in 2007, a substantial increase of US\$ 122.3 million or 19.0 percent over the year before. Sales to the CIS which grew by 19.6 percent were a key driver of export growth during the reported year. This was supplemented by good sales growth of 11.5 percent in EUR terms in the EU. Sales in the USA increased by 18.8 percent in US\$ terms in 2007. Turnover in the 'Other countries' region increased by 5.5 percent in US\$ terms and also contributed to the positive export performance.

EXPORT SALES ANALYSIS BY REGION



SALES TO TOP 10 EXPORT MARKETS

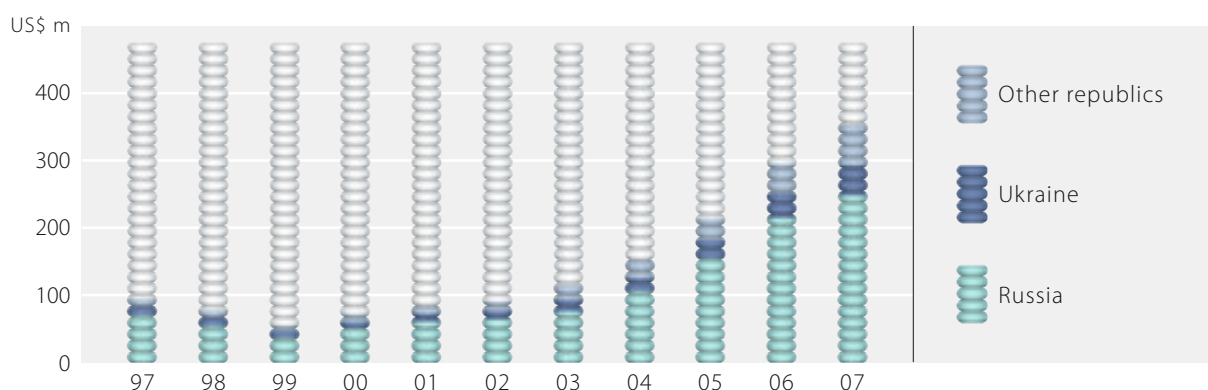
	2007	2006	Growth	
	US\$ m	US\$ m	US\$ m	%
Russia	250.7	218.0	32.7	15.0
USA	105.0	88.4	16.6	18.8
Poland	61.8	48.8	13.0	26.6
Ukraine	45.1	35.5	9.6	27.0
Czech Republic	32.5	24.7	7.8	31.6
Slovakia	27.8	19.5	8.3	42.6
Kazakhstan	26.6	16.8	9.8	58.3
Germany	25.1	23.7	1.4	5.9
France	23.2	16.5	6.7	40.6
Romania	18.8	16.8	2.0	11.9
Subtotal	616.6	508.7	107.9	21.2
Total export	764.7	642.4	122.3	19.0
Share of the top 10 export markets	81 %	79 %		



In the CIS the overall business climate continued to show a favourable trend in 2007 with promising GDP growth, a stable rouble/dollar exchange rate, high levels of oil revenues and increasing purchasing power. This resulted in enhanced spending which in turn reflected in greater demand for pharmaceutical products.

Sales to the CIS in 2007 totalled US\$ 356.4 million, a significant increase of 19.6 percent compared to 2006. It is important to note that if sales represented by DLO shipments and one-off invoicing changes both in 2006 and 2007 are excluded, sales achieved in 2007 represented enhanced growth of approximately 39 percent. Good sales growth over a relatively high base was recorded in Russia and this was augmented by excellent growth achieved in other countries of the region.

SALES TO THE CIS



Turnover of gynaecological products led by the range of contraceptives represented 29 percent of total CIS sales and generated excellent sales growth of 56.4 percent during 2007.

Sales to **Russia** totalled US\$ 250.7 million for 2007, 15.0 percent higher than in 2006. Beyond the exceptionally good sales performance throughout most of the product range the change to EUR as the invoicing currency in Russia with effect from 1 July 2007 also contributed to the outstanding results achieved.

With a reduced number of its products on the DLO list with effect from November 2006 and having due regard for the current DLO payment situation, Richter supplied products only to a limited extent, in the order of US\$ 5.0 million during 2007.

During 2007 sales growth by most of the product portfolio, primarily the range of contraceptives, especially POSTINOR, REGULON, NOVYNETTE and LINDYNETTE as well as RIGEVIDON together with DIROTON and QUAMATEL were more than offset by negative performance of drugs supplied earlier under the DLO programme, namely CAVINTON and NORMODIPINE.

The Company continues to consider its payment terms as a key element of its Russian business and its previously established credit periods remain broadly unchanged. In respect of DLO related shipments, the Company continues to monitor these closely and remains cautious regarding the payment situation.

With effect from 1 July 2007 the Company changed the invoicing currency in Russia from US\$ to Euros thereby reducing its US\$ exposure. In order to maintain reporting comparability sales figures for Russia and CIS have continued to be reported in US\$ during 2007.

Despite the political uncertainty, in **Ukraine**, the macroeconomic environment remained favourable during 2007. Sales amounted to US\$ 45.1 million in 2007, a significant 26.8 percent year on year increase. Higher sales levels of some oral contraceptives and MYDOCALM together with CAVINTON and LISONORM were primarily responsible for the excellent results reported.

Other republics of the CIS reported excellent results during the period. Sales totalled US\$ 60.6 million for 2007, a 36.5 percent increase over the level achieved in 2006. Most notable turnover and growth was recorded in **Kazakhstan** where sales amounted to US\$ 26.6 million for 2007, although this included a US\$ 5.5 million one-off element due to changes to the invoicing system. DIROTON, the range of oral contraceptives, together with CAVINTON all contributed most significantly to the substantial growth. According to the sales levels recorded in 2007 Kazakhstan has become seventh largest export market of the Company. Some of the CIS republics with outstanding sales levels reported which gained increasing importance during the reported period were **Belorussia, Moldavia** and **Azerbaijan**.

NEW PRODUCTS LAUNCHED IN THE CIS REPUBLICS DURING 2007

Brand name	Active ingredients	Therapeutic area	Launch date
TEBANTIN	gabapentin	Central nervous system, neurophatic pain	Quarter 1, 2007
ANDANTE	zaleplon	Hypnotics	Quarter 1, 2007



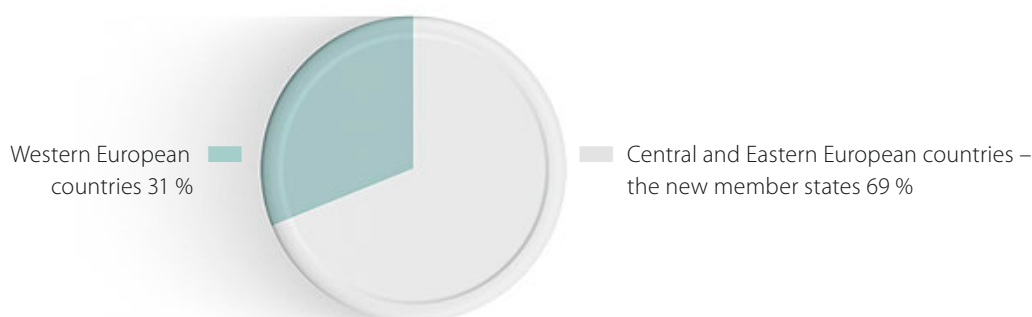
Following the accession of Romania and Bulgaria to the European Union with effect from 1 January 2007, the Company has modified its sales by region breakdown with the EU region now including Romania and Bulgaria. Figures of each period for comparison have been restated during the year.

Sales in the **European Union**, excluding Hungary, amounted to EUR 182.2 million (US\$ 249.7 million) in 2007, representing growth of 11.5 percent in EUR terms (21.6 percent in US\$ terms) compared to 2006.

Turnover of products launched since the mid 1990's increased substantially by 26.5 percent in EUR terms during 2007 and represented a notable 58 percent of total sales.

Sales of gynaecological products increased by 14.2 percent in EUR terms in the reported period when compared with 2006 and this product group represented 36 percent of turnover in the region.

SALES TO THE EU IN 2007



From the Company's business perspective, this region consists of two groups of countries: the 12 Central and Eastern European countries, which joined the EU either on 1 May 2004 or on 1 January 2007 except Hungary, and the 15 'traditional' Member States of the EU. The major characteristics of these two groups of countries as well as the Company's product portfolio and its marketing strategies are substantially different in the two areas.

Having been established for decades in **Central and Eastern Europe** the Company distributes and markets its products via its own well established sales network. We continue to increase both the efficiency of our specialised sales force teams and the number of medical representatives and both these factors contributed substantially to the higher sales levels recorded in 2007.

In the Central and Eastern European Member States sales totalled EUR 125.6 million (US\$ 172.1 million) in 2007, 14.9 percent higher in Euro terms (25.3 percent in US\$ terms) than in 2006. The new members that have joined the EU since 2004 accounted for 69 percent of the total EU region sales of Richter in 2007.

In **Poland**, the relatively low inflation rate combined with a high rate of unemployment together resulted in a good GDP growth. Both the political climate and the pharmaceutical environment were uncertain during 2007. Despite all these circumstances the Company recorded sales of EUR 45.1 million (including shipments to GZF Polfa in the value of EUR 13.3 million) and achieved an increase of 16.0 percent in Euro terms over the sales levels reported in 2006. The sales growth of CAVINTON, MYDOCALM and oral contraceptives contributed to the sales levels achieved in 2007. In the **Czech Republic** the overall economic environment remained favourable in 2007 with a low inflation

rate, moderate GDP growth combined with an expanding pharmaceutical market both in value and volume terms. Good 20.7 percent growth in Euro terms was achieved and sales amounted to EUR 23.7 million primarily due to good growth of AVONEX and LYNDINETTE. In **Slovakia** both the economic and political environment were stable in the reported period coupled with a growing pharmaceutical market both in value and in volume terms. Sales totalled EUR 20.3 million with a 30.3 percent sales growth in EUR terms. The range of oral contraceptives and the licenced-in product AVONEX were mainly responsible for the sales increase reported. In **Romania** although the economic indicators showed a positive picture in 2007, the political environment remained unstable and difficult conditions on the pharmaceutical market prevailed, primarily due to substantial price cuts. Sales amounted to EUR 13.7 million, a 2.4 percent increase over the prior year mainly due to good performance of some of the oral contraceptives. In the **Baltic States** sales amounted to EUR 13.2 million during 2007 which was mainly due to good performance by AVONEX and the range of oral contraceptives, followed by CAVINTON. In **Bulgaria** despite the overall positive trends on the pharmaceutical market, sales totalled EUR 9.1 million in 2007 which represented a 7.6 percent decline over the previous year principally due to the fact that wholesalers engaged in stockpiling at the end of 2006 before obligatory re-registration of certain products took place.

In line with one of our primary objectives, notably to continuously renew and broaden our product portfolio, we are proud to announce the launch of several new products in the EU12 region during 2007.

NEW PRODUCTS LAUNCHED IN CENTRAL AND EASTERN EUROPE DURING 2007

Country	Brand name	Active ingredients	Therapeutic area	Launch date
Poland	LAMOX	lamotrigine	Antiepileptic	Quarter 2, 2007
	DOXIUM*	calcium-dobesilate	Cardiovascular	Quarter 2, 2007
	URO-VAXOM*	liophilised e.coli	Urology, urinary tract infection	Quarter 4, 2007
	GLINDIA*	glimepiride	Antidiabetic	Quarter 4, 2007
Czech Republic	SIRANIN	alendronate	Osteoporosis	Quarter 2, 2007
	MILLIGEST	gestodene + ethinyl estradiol	Gynaecology, oral contraception	Quarter 2, 2007
	METIS*	glimepiride	Antidiabetic	Quarter 4, 2007
	MOLLOME*	venlafaxine	Antidepressant	Quarter 4, 2007
	CAVINTON FORTE	vinpocetine	Central nervous system, psychostimulant	Quarter 4, 2007
Slovakia	ESCAPELLE	levonorgestrel	Emergency contraception	Quarter 1, 2007
Romania	LAMOX	lamotrigine	Antiepileptic	Quarter 2, 2007
	CALUMID	bicalutamide	Prostate cancer	Quarter 2, 2007
	ESCAPELLE	levonorgestrel	Emergency contraception	Quarter 3, 2007
Baltic States	SEDRON	alendronate	Osteoporosis	Quarter 3, 2007
	OMSAL	tamsulosine	Benign prostate hypertrophy	Quarter 3, 2007
Bulgaria	TAMSOL	tamsulosine	Benign prostate hypertrophy	Quarter 2, 2007
	DIRONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	Quarter 4, 2007
	MILLIGEST	gestodene + ethinyl estradiol	Gynaecology, oral contraception	Quarter 4, 2007

* Note: Licenced-in products.

The expansion of our business in the **'traditional' 15 EU Member States** became a primary objective for the Company as early as the mid 1990's. While commercial affiliate companies have been established in several countries, sales continue to be made via partner companies. In the absence of an adequate sales force and critical mass it is not currently our intention to establish our own distribution and marketing networks. The primary focus of the Company is on the expansion of our gynaecological business and an increase in generic sales, i.e. to prepare for upcoming product patent expiries.

In the 'traditional' 15 EU Member States sales amounted to EUR 56.6 million (US\$ 77.6 million) in 2007, 4.6 percent higher in Euro terms (14.1 percent in US\$ terms) than in the previous year. This region contributed 31 percent of total EU sales during 2007.

Overall, increasing competition in the generic business is evident in the 'traditional' 15 EU Member States and general price erosion continues to impact sales of the Company's products.

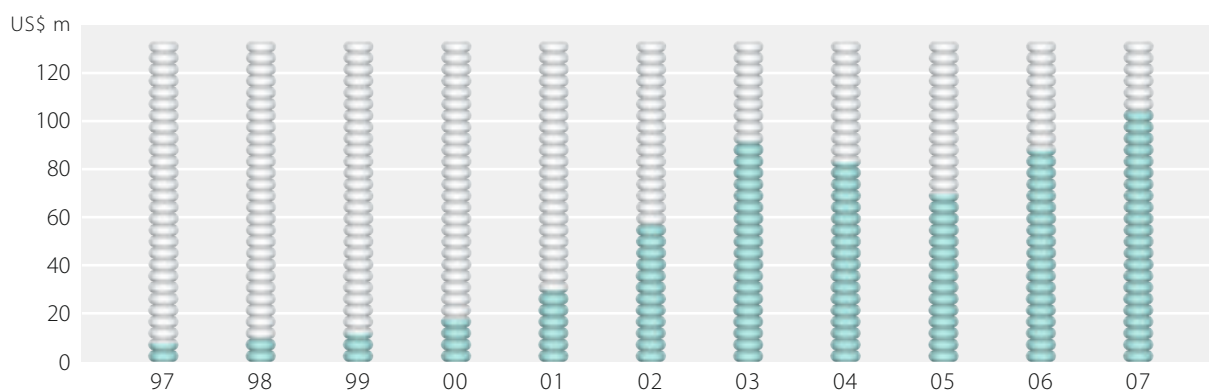
In **Germany** the Company reported sales of EUR 18.3 million representing a 3.2 percent decrease compared with the turnover reported for the previous year. Increased sales during 2006 following patent expiries established a relatively high base for the year-on-year comparison. Higher level of terbinafine and fluconazole shipments together with the positive performance of ESCAPELLE were more than offset primarily by a decline in the turnover of tamsulosine. In **France** the Company achieved overall sales of EUR 16.9 million during the twelve months to December 2007 representing a good 28.5 percent increase over the previous year due to significant growth recorded both by terbinafine which was launched in the second half of the year and also by the range of oral contraceptives. Noteworthy growth was also achieved in **Denmark** as a result of good sales levels of oral contraceptives with overall sales amounting to EUR 4.2 million.



USA

Sales in the **USA** totalled US\$ 105.0 million during 2007, a healthy 18.8 percent increase when compared to performance in the preceding year. The good growth was mainly due to the excellent performance of the finished products PLAN B and the urological finasteride in addition to higher shipments of bulk steroids.

SALES TO THE USA



Sales of gynaecological products represented more than 74 percent of total US sales, and the proportion of those products launched since the mid 1990's represented approximately 43 percent of turnover in the region.

Sales of APIs totalled US\$ 85.0 million during the reported period, 5.3 percent higher than in 2006. Supplies of steroid APIs for all of the nine oral contraceptive products supplied to the Company's strategic partner in this market, Barr Laboratories, Inc. recorded year on year growth.

OTHER COUNTRIES

Sales in these countries amounted to US\$ 53.6 million in 2007, an increase of 5.5 percent when compared to 2006.

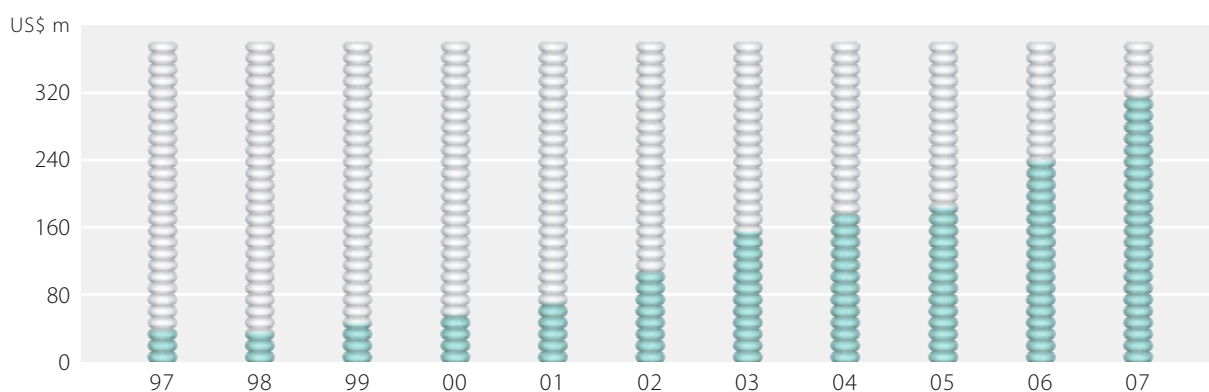
In **Japan** the Company achieved turnover of US\$ 6.7 million which represented a decline when compared with 2006. In **Vietnam** turnover was US\$ 9.2 million during the twelve months to December 2007 a solid 19.1 percent increase over the previous year.

FEMALE HEALTHCARE – AN AREA OF COMPETITIVE ADVANTAGE

One of Gedeon Richter's most important niche areas is its gynaecological business. The Company has unique and long-term experience in this field dating back to when its founder, Mr. Gedeon Richter, himself began to experiment with steroids. This was at a time when they had complete novelty. Since then the Company has consistently utilised its pharmaceutical manufacturing facilities to undertake the required complex and lengthy processes which result in high quality gynaecological products.

Currently, Gedeon Richter makes available one of the widest range of female healthcare drugs from any company in the world while continuing to broaden its product portfolio. Therefore a key element of the Company's strategy has been and remains the development of its gynaecological business. This therapeutic area represented 34 percent of the Company's total turnover in 2007 and increased by a significant 31 percent in US\$ terms when compared to 2006. This product group contributed substantially to the Company's turnover on each of its export markets. Gynaecological products represented 29 percent of total CIS sales, 36 percent of turnover in the EU region and more than 74 percent of total US sales during 2007.

SALES OF GYNAECOLOGICAL PRODUCTS



FEMALE CONTRACEPTION

We offer a broad range of contraceptive options to assist women to shape their lives according to their wishes. When it comes to the choice of contraceptive methods, reliability, safety, ease of use and convenience all play a major role. Step by step we have built up a product portfolio, which contains a number of second and third generation oral contraceptives and emergency contraceptives providing a wide range for the female population to choose those products which fit most to their personal needs.

Usage of oral contraceptives within fertility age women has gradually increased in the Central Eastern European and CIS regions, currently 4 percent in Russia, 8 percent in Romania, 12 percent in Poland, 15 percent in Slovakia, 20 percent in Hungary and 34 percent in the Czech Republic. These levels remain relatively low compared with 31 percent in Germany, 39 percent in France and 43 percent in the Netherlands, and provided room for further growth in this area by our Company. Being one of the largest pharmaceutical players in the region of CEE and CIS, management considers these markets as one of the major potential drivers of growth in the coming years.

According to our main strategic objectives the Company continued to launch new contraceptive products on its markets during 2007. MILLIGEST, the third generation oral contraceptive was introduced in the Czech Republic and Bulgaria, while the emergency contraceptive ESCAPELLE was launched in Slovakia and Romania.

MAIN GYNAECOLOGICAL PRODUCTS OF RICHTER

Brand name	Active ingredients	Product type	Regions where launched ⁽¹⁾
MILLIGEST	gestodene + ethinyl estradiol	Third generation oral contraception	Hungary; EU
LINDYNETTE	gestodene + ethinyl estradiol	Third generation oral contraception	Hungary; CIS; EU; Other countries
REGULON	desogestrel + ethinyl estradiol	Third generation oral contraception	Hungary; CIS; EU; Other countries
NOVYNETTE	desogestrel + ethinyl estradiol	Third generation oral contraception	Hungary; CIS; EU; Other countries
RIGEVIDON	levonorgestrel + ethinyl estradiol	Second generation oral contraception	Hungary; CIS; EU; Other countries
TRI REGOL	levonorgestrel + ethinyl estradiol	Second generation oral contraception	Hungary; CIS; EU; Other countries
OVIDON	levonorgestrel + ethinyl estradiol	Second generation oral contraception	Hungary; CIS; Other countries
ANTEOVIN	levonorgestrel + ethinyl estradiol	Second generation oral contraception	Hungary; CIS; EU
ESCAPELLE (LEVONELLE ONE STEP in the EU)	levonorgestrel	Emergency contraception	Hungary; CIS; EU; Other countries
POSTINOR (RIGESOFT in Hungary, LEVONELLE-2 in the EU, PLAN B in the USA)	levonorgestrel	Emergency contraception	Hungary; CIS; EU; USA; Other countries
TULITA	estradiol + norethisterone	Hormone replacement therapy	Hungary
FEMSEVEN COMBI ⁽²⁾	estradiol + levonorgestrel	Hormone replacement therapy (patch)	Hungary; EU
FEMSEVEN ⁽²⁾	estradiol	Hormone replacement therapy	Hungary; EU; Other countries
TRIAKLIM	estradiol + norethisterone	Hormone replacement therapy	Hungary; CIS; EU
ESTRIMAX	estradiol	Hormone replacement therapy	Hungary; CIS; EU
PAUSOGEST	estradiol + norethisterone	Hormone replacement therapy	Hungary; CIS; EU; Other countries
GYNAZOL ⁽²⁾	butoconazole	Antifungal (cream)	Hungary; CIS; EU; Other countries
MYCOSYST GYNO	fluconazole	Antifungal	Hungary; CIS; EU; Other countries
SEDRON	alendronate	Osteoporosis	Hungary, EU, CIS
CALCISEDRON-D ⁽²⁾	alendronate+calcium / vitamine D	Osteoporosis	Hungary
bulk products		Oral contraception	EU; USA; Other countries

Notes: ⁽¹⁾ Products are launched in certain countries of the given region.

⁽²⁾ Licenced-in products.

The range of contraceptive products were one of key the drivers of the growth in Russia, Ukraine and other republics as well as in both parts of the EU region, including CEE countries and 'traditional' EU member states. Richter's main strategic partner for API sales is the US based Barr Laboratories, Inc., which, according to IMS statistics, is the largest player by value on the hormonal contraceptive market in the USA. The Company supplies steroid APIs for nine of Barr's range of oral contraceptive products with most exhibiting good growth during 2007. Richter supplies also the emergency contraceptive PLAN B by finished form to Barr and this product in 2007 also showed excellent results.

PRODUCTS FOR THE MENOPAUSE (HORMONE REPLACEMENT THERAPY, OSTEOPOROSIS MEDICATIONS)

The menopause is a period of natural transition through which every woman eventually goes through. Unfortunately the decline in estrogen production that characterises this transition can have short and long term implications. It is no secret that the menopause has a negative influence on the quality of life. Furthermore, estrogen loss is closely associated with the development of osteoporosis and fractures. Our aim is to maintain women's health and quality of life over the long term.

Gedeon Richter Plc. offers a wide range of HRT products and continuously expands its product portfolio. In order to meet women's needs for using the most convenient treatments possible, we pay particular attention to keep up with the most developed technologies and formulations. As a result, during the past few years we licensed in two HRT patches, which ease women's life and provide a safe and comfortable solution for their menopause problems.

For the treatment of osteoporosis, SEDRON, was introduced in the Baltic states while the same product under the trade name of SIRANIN was launched in the Czech Republic during 2007.

OTHER GYNAECOLOGICAL PRODUCTS

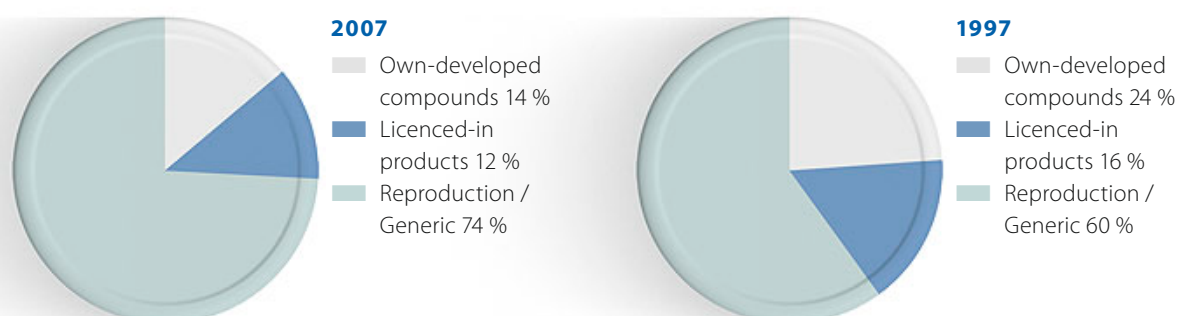
Richter's main target is to offer a full range of female healthcare products and consequently we also provide treatment for possible gynaecological infections. Besides our matured products, we licensed in from KV Pharmaceuticals the antifungal GYNAZOLE-1 with an innovative, Site Release drug delivery system. GYNAZOLE-1 is a well established product in the Central and Eastern European markets and in the CIS countries since its launch in 2004. The antibacterial CLINDESSE with the same drug delivery system is under registration.



PRODUCTS

The breakdown of sales by product type indicates that Gedeon Richter is primarily a branded generic drug manufacturer. In 2007, generic drugs in overall contributed 74 percent of the total revenue. However this category also includes our higher margin niche products, the steroids. Richter is well known for its unique chemistry knowledge and process development experience with special focus on female healthcare and diseases related to the Central Nervous System (CNS).

PRODUCTS BY TYPE



Gedeon Richter is a regional mid-sized pharma company with a vertically integrated structure. This is based on a good market position with geographic and therapeutic niches, continuous enhancement of supply of specialties partly via licensing agreements, branded generic products in addition to ongoing research in the central nervous system area.

MAIN LICENCING-IN PARTNERS OF RICHTER

Company	Country	Product	Therapeutic area
Biogen Idec	USA	AVONEX	Multiple sclerosis
KV Pharmaceutical	USA	GYNAZOL, CLINDESSE	Gynaecology, antifungal, antibacterial
Almirall Prodesfarma	Spain	AFLAMIN	Antiinflammatory
Merck KGaA	Germany	FEMSEVEN FEMSEVEN COMBI FEMSEVEN EVO	Gynaecology, Hormone replacement therapy
Takeda	Japan	LANSONE	Gastrointestinal, antiulcer
Astellas	Japan	SUPRAX	Antibiotic
Janssen	Belgium	several products	Central nervous system, antifungal, antibacterial
Sanofi-Aventis	France	TARIVID	Antibiotic
Fournier	France	LIPIDIL, LIPANTHYL	Cardiovascular, lipid lowering agents
Pierre Fabre	France	TARDYFERON	Iron supplement

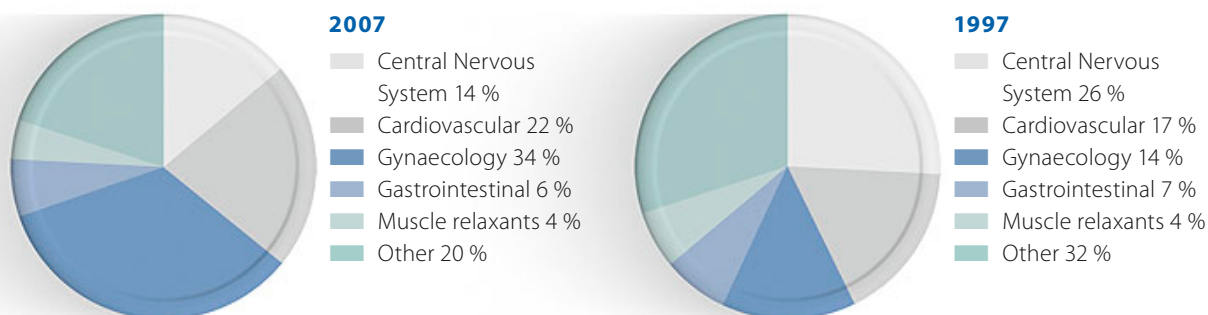
In line with the Company's strategy the product portfolio has been successfully enhanced since the mid 1990's and this focus continues, withdrawing low volume and low margin products and introducing new products with improved profit potential. Progress by the company in launching new products continued in 2007 with the proportion of products launched since the mid 1990's representing 50 percent of the Company's total sales. In 2007, several own developed new generic products have been launched on the market including the antihypertensive PORTIRON (losartan) in Hungary, the licensed in antidiabetic GLINDIA (glimeperide) and the hypnotics ANDANTE (zaleplon) in Russia, Ukraine and in certain other CIS countries.

SALES OF NEW PRODUCTS BY REGION IN 2007

	Share within region sales	Change in % (US\$ terms)
Hungary	64 %	-8.6 %
CIS	44 %	36.7 %
EU	58 %	38.1 %
USA	43 %	28.9 %
Other countries	28 %	4.2 %
Total	50 %	21.2 %

It is the endeavour of the Company's management to shape the product portfolio more and more focused. As a result of this effort, the gynaecological, cardiovascular and central nervous system products altogether generated 70 percent of the Company's total sales.

PRODUCTS BY THERAPEUTIC GROUP



Central nervous system related drugs contributed altogether 14 percent of total sales. The leading CNS product was our original product, CAVINTON (vinpocetine), a cerebral oxygenation enhancer. Due to the significant changes in the Russian DLO system and the high base recorded in 2006, the sale of this product decreased primarily in the CIS during 2007. Excellent performance was achieved by the lamotrigine containing antiepileptic LAMOLEP on the domestic market and by GORDIUS containing gabapentin for the treatment of neuropathic pain in all our markets. The antidepressant REXETIN (paroxetine) also achieved significant growth in the CIS.

As in 2006, **cardiovascular drugs** continued to make up a significant proportion of the total sales reported in 2007, altogether accounting for 22 percent although this represented a slight decrease when compared to the sales levels in the previous year. LISOPRESS containing lisinopril remained the leading product of the Company in 2007 showing good growth in the CIS, whereas the turnover of the antihypertensive NORMODIPINE (amlodipine) and EDNYT (enalapril) and several other related drugs declined primarily due to the consequences of the Drug Economic Act and the price pressure magnifying changes in the reimbursement scheme in Hungary at the beginning of the year. On the other hand, performance of LISONORM containing lisinopril and amlodipine increased substantially throughout the year both in the domestic and CIS markets. The diuretic VEROSPIRON (spironolactone) also showed good performance in the CIS countries and in the EU region.

Gastrointestinal products represented 6 percent of total sales lead by the H₂-blocker QUAMATEL (famotidine) with a healthy growth in the export markets, for the most part in our traditional market, the CIS region.

The ratio of **muscle relaxant drugs** amounted to 4 percent of the total revenue of the Company in 2007. Significant growth was achieved in the export markets, especially in the EU and CIS by our original product MYDETON containing tolperisone.

Antifungal products such as TERBISIL (terbinafine) and MYCOSYST (fluconazole) achieved noteworthy performance in export markets particularly in the European Union and the CIS.

TOP 10 PRODUCTS

Brand name	Active ingredients	Therapeutic area	2007	2006	Change	
			HUF m	HUF m	HUF m	%
Oral contraceptives	hormones	Gynaecology	50,073	44,484	5,589	12.6
EDNYT / LISOPRESS	enalapril / lisinopril	Cardiovascular, antihypertensive	17,353	18,739	-1,386	-7.4
CAVINTON	vinpocetine	Central nervous system	15,736	20,655	-4,919	-23.8
QUAMATEL	famotidine	Gastrointestinal, antiulcer	8,055	9,775	-1,720	-17.6
VEROSPIRON	spironolactone	Cardiovascular, diuretic	6,762	6,229	533	8.6
MYDETON / MYDOCALM	tolperisone	Muscle relaxant	6,045	5,367	678	12.6
NORMODIPINE	amlodipine	Cardiovascular, diuretic	5,744	8,306	-2,562	-30.8
AVONEX	interferon-beta-1a	Multiple sclerosis	4,953	3,906	1,047	26.8
TERBISIL	terbinafine	Antifungal	4,855	4,317	538	12.5
MYCOSYST	fluconazole	Antifungal	4,468	3,997	471	11.8
Subtotal			124,044	125,775	-1,731	-1.4
Other			47,172	45,320	1,852	4.1
Total			171,216	171,095	121	0.1



RESEARCH AND DEVELOPMENT

Innovation and the research of original drug molecules have been key elements in the Company's strategy since its foundation in 1901. With 800 employees in the field of research and development, Gedeon Richter today is the most significant pharmaceutical research base in the Central and Eastern European region.

Original research activities are focused exclusively on compounds for the diseases of the central nervous system (CNS), primarily on schizophrenia, depression, anxiety and chronic pain. The Company has a portfolio of 16 ongoing projects, of which two are in clinical Phase II trials and two are in clinical Phase I. The remainders are in the preclinical phase. During 2007 due to a fierce competitive situation a decision was taken to discontinue work on RGH-512 (Mydex), a combination for indication of chronic pain. At the end of 2007 our clinical portfolio was the following:

Name of compound	Clinical phase		Indication
RGH-188 (cariprazine)	Phase II Phase I	United States Japan	Schizophrenia, bipolar mania
RGH-363	Phase I	United Kingdom	Schizophrenia
RGH-896 (radiprodil)	Phase II	United States	Chronic pain
RGH-790	Phase I	United Kingdom	Antipsychotic

Restructuring of our research organisation has occurred gradually between 2000 and 2004 and stringent criteria have been implemented to deliver a high quality research portfolio. Significant investments have been made at the same time aiming at the modernisation of our technical infrastructure. The Company's pharmacological facilities were upgraded in 2003, while a new experimental technological laboratory, where high quality APIs are produced on kilogram scale suitable for clinical trials, was completed during 2006. In early 2007 staff began to occupy the chemical-analytical research centre that meets the highest quality and technological requirements, together with the related offices.

The Company considers it essential to establish research partners to facilitate the development and marketing of new molecules. We join forces with academic and university institutions in the early phase of our research activities, while we make efforts to establish co-operation with other pharmaceutical companies when it comes to development of molecules in clinical phases. In this regard partnerships with the Japanese Mitsubishi Tanabe Pharmaceuticals and with the US-based Forest Laboratories have contributed substantially to the Company's research activity. In particular Richter's experience in preclinical trials has complemented well with Forest's experience in clinical trials.

Development work in several therapeutic areas continued in 2007. The Company's target is to launch 5-7 new generic and branded generic products per year on its traditional markets, i.e. Hungary, CEE and CIS. Licensing activity also contributes to the continuous development of the Company's product portfolio. Process development activities and bioequivalence studies on several active pharmaceutical ingredients and finished products continued so as to create opportunities for further product introductions in the USA and EU markets.

Following its patent expiry in August 2007 we launched through our partners in France the antifungal terbinafine. While in our traditional markets, the losartan containing PORTIRON was introduced in Hungary, we launched ANDANTE capsules, containing zaleplon in Russia, Ukraine and other CIS republics, as well as the bicalutamid containing CALUMID in Hungary, which is considered a new formulation compared to existing ones.

The Company reported in 2007 a 23.9 percent increase in its spending on research and development which totalled HUF 17,051 million (US\$ 93.1 million), representing 10.0 percent of total sales.

PRODUCTION

The Company achieved in 2007 sales levels similar to those in 2006 in overall terms, with increasing export activity throughout the year offsetting the negative impact of the domestic economic and drug market environment.

Notwithstanding the high base achieved in 2006, a slight decline in 2007 in volumes of finished form products was coupled with a double digit percentage growth in the volumes from API manufacturing. Overall, the API manufacturing facilities operated with appropriate capacity utilization throughout 2007 in part due to increasing demand for lisinopril, as well as good sales demands for products containing finasteride, terbinafine and tolperisone. The relatively high level of API manufacturing is expected to decline in the coming years due to increasing competition.

Sales performance of oral contraceptives continued to result in further increases in output from steroid API production while growth in demand for non-steroid products was experienced throughout 2007.

In order to further enhance productivity, new filling lyophilizing machines have been installed and put to operation in the injection facility.

Gedeon Richter has always paid special importance to offer reliable and modern products at affordable prices. Throughout the year, several audits were conducted both on a regulatory and business partnership level, encompassing not only our facilities, but also the production processes of finished form products and APIs. We are pleased to report that all audits resulted in positive and satisfactory feedback.

Our Indian joint-venture, Richter Themis Ltd. concluded a second phase of investments by the end of the year thereby enabling production of several intermediates in addition to establishing the requirements for API production.



CORPORATE SOCIAL RESPONSIBILITY

SAFETY, HEALTHCARE AND ENVIRONMENT

Gedeon Richter has had the reputation of a company that pays particular attention to social and environmental standards. The health and welfare of society are highly dependent on the quality of drugs produced by pharmaceutical manufacturers and on innovation activity carried out by such companies. Not only the patient but our whole society and national economy benefits from new products of higher quality which help people maintain their health and physical and mental condition. We strive to offer efficient and affordable treatment options however we also feel the need for active support of healthcare policy makers. Environmental responsibility has equal importance in our activities. Utilising a wide range of potentially hazardous chemicals, and conducting activities which result in emission of materials with a safe but certain environmental load, Gedeon Richter considers environmental standards as key important issues.

We are subject to extensive regulation in the field of quality and environmental, health and safety matters throughout a wide range of countries where we manufacture and market our products. Our aim is to set and maintain high standards in respect of social responsibility worldwide ensuring that Gedeon Richter meets both national and international legal standards.

Environmental Management Systems at the Company meet all requirements of ISO 14001:2004 standards. During the year we continued the reconstruction of the old wastewater pre-treatment plant in Budapest. The covered wastewater treatment plant in Dorog has been equipped with a new system for handling air-emissions. The system includes an active-coal containing absorber and a catalytic oxidation unit as well.

The Company continues to make progress on the co-ordination of the challenges for employment healthcare and safety. The employment healthcare and safety management system established at the Company was certified according to the requirements of OHSAS 18001:1999 in 2006. As with regard to the environmental challenges that a pharmaceutical company is exposed to we are pleased to report that the second follow-up audit confirmed our efforts.

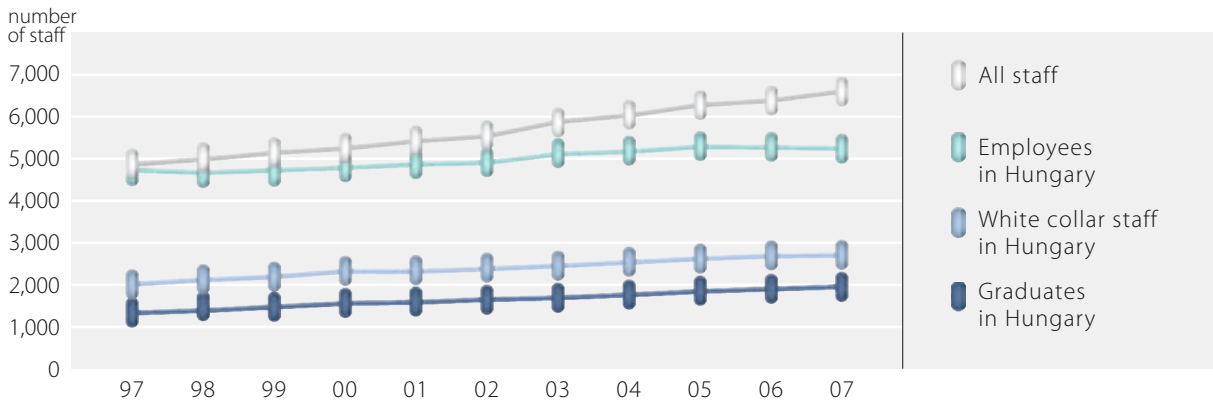
COMMUNITY INVOLVEMENT

Gedeon Richter has always been aware of the importance of community involvement. We recognise that as a leading pharmaceutical manufacturer and employer in Hungary it is our responsibility to maintain dialogue with society at large and with those who have an interest in the Company's activities. In this respect Gedeon Richter supports projects in the areas of healthcare, science, education and environment in line with its target for improving health and quality of life. To encourage young people's interests we sponsor a range of science-based school programmes, including chemistry education in secondary schools and university programmes both in Hungary and abroad. On the occasion of its centenary in 2001 the Company created a foundation which has as its aim the support of scientific research and university education in the field of pharmaceutical research.

PEOPLE

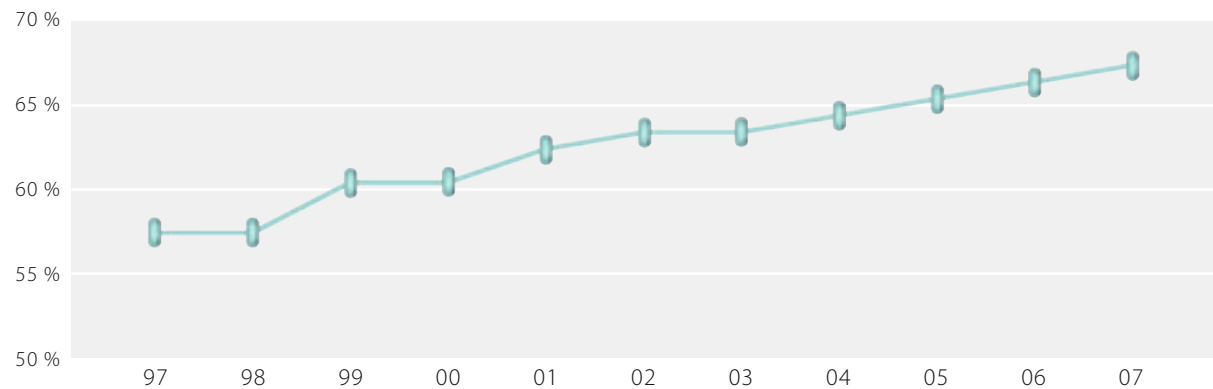
Our most important resource is our people. Within our demanding business, we know that if we are to maintain people's energy and commitment to delivering their best in the pursuit of Richter's objectives, we must provide the right environment for that to happen. This means providing inspiring and effective leadership, open lines of communication, excellent learning and development opportunities, appropriate rewards and benefits, and a company culture in which individual success depends on personal performance.

EMPLOYEES



The total headcount for the Company was 6,194 at the end of 2007, an increase of 223 during the year. In Hungary Gedeon Richter's headcount totalled 4,830, a decrease of 26 when compared with 2006.

PROPORTION OF GRADUATES *



* Note: Within the white collar staff in Hungary.

The proportion of skilled employees at the Company in 2007 remained similar to that in 2006. 1,544 graduate educated personnel were employed by Gedeon Richter in Hungary at the end of 2007, 53 more than at the end of 2006 and these represented 67 percent of white collar staff and 32 percent of the total number of employees in the Company.

RECRUITMENT AND INDIVIDUAL DEVELOPMENT

Attracting the best people in the industry is critical to enhancing and sustaining Richter's performance. The Company's Human Resources Department is focused on proactive identification of talented external candidates for key roles.

A Welcome Programme for Young Employees aims at giving an insight into the organisation of Richter, its activities, company culture and values. An annual performance and development planning process ensures that employees set business aligned objectives and behavioral goals and helps them identify the training they need to develop their careers. The performance and development planning process was reviewed during the year, leading to compensation decisions. It is pleasing to report that this practice has been increasingly used and become a well received performance appraisal method within the Company.

We encourage and support all our people in fully developing their capabilities with a range of high-quality learning and development opportunities. The Company makes special efforts to assist scientific and professional education and postgraduate training. In order to encourage personal development the Company continued during 2007 to support employees to participate in university education, PhD courses. The new form of education – e-learning, which was established at the Company a few years ago – was developed further during 2007. It is intended to expand this further to those areas and subjects which benefit from this new method of education.

DEVELOPING LEADERS

Good leadership is critical to stimulating the high level of performance that is essential to our continued success in a changing and increasingly challenging environment. We know that simply setting high-level performance targets is not enough. Actions must be identified, and accountability must be assigned at the right levels to ensure that these actions are implemented.

Management training programmes continued in 2007 and involved all managers of the Company both at middle and senior levels. Alternative programmes were available to staff to choose either to increase a capability or to take up new and a special skill. For those managers appointed within the last three years a special manager training programme was implemented so as to identify and prepare the key talent necessary for growing the business.

The Company initiated a new career development programme in 2006, which focuses on the further development of high potential management talent. It is intended to annually refresh the list of participants in this elite programme.

EMPLOYEE PROGRAMMES

The importance of people must translate into employment practices that demonstrate the value of each individual. Compensation philosophy and programme development underscore Gedeon Richter's commitment to a performance culture. Performance based salary, both base and variable, share awards, career development planning, an application system for professional career levels and education all contribute to the retention of key talent, superior performance and the accomplishment of business targets.

The employee health programme, which was initiated and financed by the company in 2006, was continued during 2007. All employees can participate in this wide-ranging medical programme which aims to prevent illness by early diagnosis.

Providing a safe workplace and promoting the health and well-being of all our people has always been a core priority for Richter. Well-being programmes at the Company are planned to promote physical and psychological welfare and to help employees cope with demanding jobs and busy lives.



KEY FINANCIAL DATA

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
Total sales	171,216	171,095	0.1	934.6	814.7	14.7
Gross profit	102,079	104,912	-2.7	557.2	499.5	11.6
Gross margin %	59.6	61.3		59.6	61.3	
Operating profit	34,794	47,187	-26.3	189.9	224.6	-15.4
Operating margin %	20.3	27.6		20.3	27.6	
Profit before taxation	36,518	49,470	-26.2	199.3	235.5	-15.4
Net profit	35,514	49,606	-28.4	193.9	236.1	-17.9
Net margin %	20.7	29.0		20.7	29.0	
EPS (HUF, US\$)*	1,906	2,662	-28.4	10.40	12.67	-17.9
Total assets and total shareholders' equity and liabilities	326,266	309,028	5.6	1,890.3	1,617.1	16.9
Shareholders' equity	305,953	285,914	7.0	1,772.6	1,496.1	18.5
Capital expenditure	17,818	26,320	-32.3	97.3	125.3	-22.3
Number of employees at year-end	6,194	5,971	3.7			

* Notes: • EPS calculations based on the total number of shares issued.

• According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

GROSS PROFIT

Gross profit totalled HUF 102,079 million (US\$ 557.2 million) in 2007 compared with HUF 104,912 million (US\$ 499.5 million) in 2006.

Gross margins declined to 59.6 percent from 61.3 percent. Significant improvements in product mix were more than offset by the negative impact caused by the strengthening of the HUF against the US\$ and the decline in sales levels recorded on the domestic market.

OPERATING PROFIT

In 2007 operating profit at HUF 34,794 million decreased by HUF 12,393 million (26.3 percent) from the HUF 47,187 million reported for 2006. In US\$ terms it totalled US\$ 189.9 million a decrease of US\$ 34.7 million (15.4 percent) compared to US\$ 224.6 million achieved in 2006. Operating margins for the reported period were 20.3 percent compared with 27.6 percent in 2006.

In addition to the decline reported in the gross margins an overall increase in operating costs also impacted negatively the operating profit recorded in 2007.

FINANCIAL ITEMS

NET FINANCIAL INCOME

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	HUF m	US\$ m	US\$ m	US\$ m
Unrealised financial items	-2,603	-2,770	167	-14.2	-13.2	-1.0
Reassessment of currency related trade receivables and trade payables	-518	-2,331	1,813	-2.9	-11.1	8.2
Reassessment of currency loans	-736	-1,138	402	-4.0	-5.4	1.4
Reassessment of other currency related items	-225	-1,382	1,157	-1.2	-6.6	5.4
Unrealised forward exchange contracts	-1,959	2,078	-4,037	-10.7	9.9	-20.6
Impairment of investments	835	3	832	4.6	0.0	4.6
Realised financial items	4,327	5,053	-726	23.6	24.1	-0.5
Result of realised forward exchange contracts	2,388	2,200	188	13.0	10.5	2.5
Exchange losses realised on trade receivables and trade payables	-2,192	-891	-1,301	-12.0	-4.2	-7.8
Exchange losses/ gains on conversion	-205	46	-251	-1.1	0.2	-1.3
Dividends	922	1,114	-192	5.0	5.3	-0.3
Net interest income	3,495	2,683	812	19.1	12.8	6.3
Other	-81	-99	18	-0.4	-0.5	0.1
Net financial income	1,724	2,283	-559	9.4	10.9	-1.5

Net financial income in 2007 totalled HUF 1,724 million (US\$ 9.4 million), reflecting a decrease of HUF 559 million (US\$ 1.5 million) when compared to HUF 2,283 million (US\$ 10.9 million) reported in 2006.

Net financial income was heavily impacted by the loss of the reassessed items realised at the 31 December 2007 exchange rates of US\$/HUF 172.57 and EUR/HUF 253.40. This reassessment resulted in an overall loss of income in the amount of HUF 1,479 million. The strengthening of the HUF when compared to the US\$ during 2007 impacted negatively the results of the Company including the outcome of net financial income.

Exchange losses realised on trade receivables, trade payables and on conversion together with revaluation losses which resulted from the fluctuation of exchange rates, are shown in the following table:

EXCHANGE RATE MOVEMENTS

	31 December 2006	31 March 2007	30 June 2007	30 September 2007	31 December 2007
EUR / HUF	251.80	247.55	246.60	250.45	253.40
US\$ / HUF	191.09	185.83	182.71	176.53	172.57

Net interest income amounted to HUF 3,495 million (US\$ 19.1 million) in the twelve months to December 2007 compared to HUF 2,683 million (US\$ 12.8 million) in 2006, the increase arising principally from higher interest rates.

Gains on realised forward exchange contracts during 2007 partly offset the exchange losses. No forward exchange contracts have been concluded for 2008.

INCOME TAX

From 1 January 2004, as a result of its capital expenditure programme and the increase in the number of employees, the Company has already benefited and expects to continue to benefit from a 100 percent corporate tax holiday for the next few years. However, in accordance with a new act for a "solidarity tax" which targets the correction of the national budget balance and which was passed by Parliament and promulgated in July 2006, the Company is also obliged to pay a 4 percent extraordinary tax on its profit before taxation. It should be noted that this regulation was modified during the fourth quarter 2006 with direct costs of R&D now being accepted as a deduction from the calculation base so as to promote innovation. This extraordinary tax amounted to HUF 1,015 million in 2007. In addition the Company reported a HUF 11 million deferred tax asset.

BALANCE SHEET

Total assets and total shareholders' equity and liabilities amounted to HUF 326,266 million on 31 December 2007, an increase of HUF 17,238 million over the totals reported at 31 December 2006.

Non-current assets amounted to HUF 186,036 million an increase of HUF 21,224 million over the totals reported at 31 December 2006 mainly due to an increase in the level of Loans receivable and Investments.

Current assets at HUF 140,230 million at the end of December 2007 were 2.8 percent lower than the level reported at 31 December 2006 mainly due to a decrease in Other receivables and Inventories.

Shareholders' equity amounted to HUF 305,953 million which represented a 7.0 percent increase compared to the level at 31 December 2006, primarily due to higher levels of Retained earnings.

Current liabilities at HUF 20,313 million on 31 December 2007 were 12.1 percent lower than at December 2006, primarily as a result to a decrease in Trade payables.

CASH FLOW

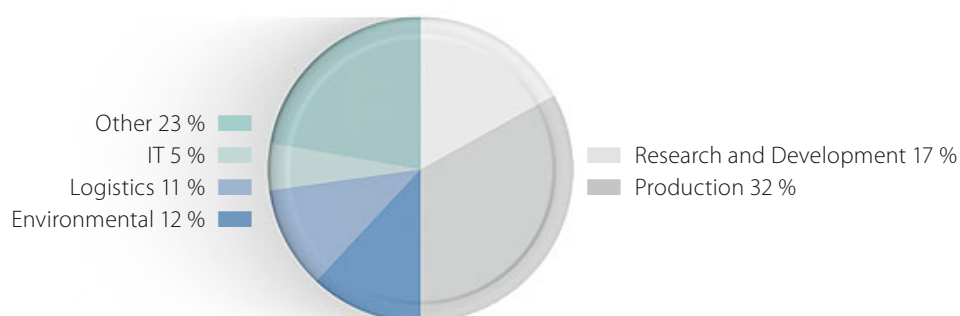
	2007	2006
	HUF m	HUF m
Net cash flow		
From operating activities	47,595	54,696
From investing activities	-27,799	-18,079
From financing activities	-21,227	-19,988
Change in cash and cash equivalents	-1,431	16,629

As indicated by the cash flow statement, during 2007 the Company generated net cash from operating activities of HUF 47,595 million (US\$ 259.8 million). A decreasing level of cash from operating activities when compared with the previous year reduced the net cash flow during 2007. Albeit significantly below their 2006 levels, important amounts of cash were directed towards capital expenditure, payment of dividends and loans receivable. Overall, cash decreased by HUF 1,431 million in 2007.

CAPITAL EXPENDITURE

Capital expenditure in 2007 totalled HUF 17,818 million (US\$ 97.3 million), compared to HUF 26,320 million (US\$ 125.3 million) reported for 2006. The transfer of steroid manufacturing from Budapest to our Dorog site has been completed during 2005 and 2006. In 2007 we obtained most of the necessary regulatory approvals required for long term manufacturing in that location. Recently new homogenisers and granulators were put into operation at our tableting facility in Budapest and our injectable plant was also extended with a new lyophilizing and filling equipment. The new chemical research centre was completed in early 2007 with workplaces being occupied by late March without compromising activities performed.

CAPITAL EXPENDITURE ANALYSED BY FUNCTION 2007



At group level we inaugurated a new logistical centre in Romania in July 2007 and we began the construction of a new warehouse in Russia. Our Indian manufacturing capacities are being gradually extended as construction work was started on a new pilot plant and an API manufacturing unit.

TREASURY POLICY

The Company's treasury activities are co-ordinated and managed in accordance with procedures approved by the Board of Directors. The treasury function of the Company maintains responsibility for the financing of its activities both on the domestic market and in the export regions and the administration of trade receivables and trade payables. It also manages exchange rate risks relating to the Company's operations and ensures appropriate financial income via investing temporarily free cash through bank deposits and open-ended funds and government securities.

Considering that 80 percent of the Company's turnover is realised in various currencies, while its costs are incurred mostly in Hungarian forints, the Company's operating profit is exposed to currency fluctuations. To manage this exposure, the Board of Directors has approved a strategy of foreign exchange rate exposure risk reduction, in which forward and option contracts used for hedging purposes are to be employed.

Since January 2000, the Company has concluded forward exchange contracts to manage its exposure to fluctuations in exchange rates.

With effect from 1 July 2007 the Company has changed the invoicing currency in Russia from US\$ to Euros thereby reducing its net US\$ exposure below 25 percent by the end of the year.

Considering the lower US\$ exposure no forward exchange contracts have been concluded for 2008.

Trading in a number of countries served by the Company may give rise to sovereign risk and economic uncertainty. Trade credit risks and related impairment losses are closely monitored and subject to managing director supervision.

PREFERENCE SHARES

The Annual General Meeting held on 25 April 2007 decided on the conversion of all the outstanding preference shares (3,459) into dematerialised ordinary shares. Following the Court registration of the resolutions taken by the AGM the converted shares were listed on the stock exchange.

SHARES IN ISSUE

Shares in issue	31 December 2007			31 December 2006		
	Number	Nominal value (HUF '000)	%	Number	Nominal value (HUF '000)	%
Ordinary shares	18,637,486	18,637,486	100.0	18,634,027	18,634,027	99.9
Preference shares	-	-	-	3,459	3,459	0.1
Total shares	18,637,486	18,637,486	100.0	18,637,486	18,637,486	100.0



REGISTERED SHAREHOLDERS

There were no significant changes relating to the shareholder structure of the Company during 2007. The share held by the Hungarian Privatisation and State Holding Company (ÁPV Zrt.) remained at 25 percent, the same level as at 31 December 2006. The proportion held by domestic investors as well as that held by foreign investors remained unchanged at 12 percent and 63 percent, respectively.

OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2007



DETAILED OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2007

	Ordinary shares	Voting capital	Registered capital
	Number	%	%
Domestic investors			
ÁPV Zrt.	4,680,898	25.19	25.12
Local Governments	100	0.00	0.00
Institutional investors	1,660,270	8.93	8.91
Private investors	515,580	2.78	2.77
Total	6,856,848	36.90	36.80
Foreign investors			
Institutional investors	11,719,502	63.07	62.88
The Bank of New York ⁽¹⁾	2,266,044	12.19	12.16
Private investors	4,633	0.02	0.02
Total	11,724,135	63.09	62.90
Treasury shares ⁽²⁾			
Other	1,955	0.01	0.01
Registered capital	18,637,486	100.00	100.00

Notes: Information is based on data contained in the stock-register and is adjusted by identifying depositaries reported by the Central Clearing House and Depository Ltd. (Keler Ltd.) and custodians.

⁽¹⁾ Foreign shareholders with more than 5 percent ownership are global custodians or nominees. Although Capital Research and Management Company announced its ownership in Richter (5.24 percent), they are not confirmed in identification the depositaries, therefore it could not be taken into account at ownership structure.

⁽²⁾ Treasury shares of the Parent Company comprising the shares of the Parent Company held at subsidiaries owned 100 percent by Richter.

TREASURY SHARES

Shares held by the Company in Treasury increased during 2007 to 43,998 ordinary shares. The Company purchased 105,210 treasury shares at the Budapest Stock Exchange during 2007 in addition to a further 36,274 treasury shares purchased on the OTC market. Based on a decision of the Board of Directors of Gedeon Richter Plc., 72,137 shares held by the Company in Treasury were granted during the year to employees as bonuses.

SHARES HELD BY THE COMPANY IN TREASURY

	31 December 2007	31 December 2006
Number	43,998	12,240
Nominal value (HUF '000)	43,998	12,240
Book value (HUF '000)	1,672,792	492,663

Due to a repurchase obligation stipulated in the programme approved by the Ministry of Finance related to employee share bonuses, the Company repurchased 1,329 shares from employees who resigned from the Company during 2007.

In line with a programme approved by the Ministry of Finance related to employee share bonuses, on 17 December 2007 the Company granted 38,918 shares for 4,733 of its employees for 2007. The value of these shares amounted HUF 1,437 million. These shares will be deposited at the employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 2 January 2010.

On 2 January 2007, the Company was able to remove all restrictions on 41,604 Gedeon Richter ordinary shares granted to its employees on 19 December 2005 during the last year of a three-year programme approved by the Ministry of Finance.

SHARE OWNERSHIP BY COMPANY BOARDS MEMBERS

Membership of the Company's Boards is shown on pages 8-12 of the Annual Report.

ORDINARY SHAREHOLDINGS BY THE MEMBERS OF COMPANY'S BOARDS

	31 December 2007	31 December 2006
	Number of ordinary shares	Number of ordinary shares
Board of Directors	6,910	7,081
Supervisory Committee	958	1,239
Executive Board	5,580	3,670
Total	13,448	11,990

OTHER INFORMATION

The following table shows the extraordinary press releases published by Gedeon Richter Plc. during 2007. Detailed information can be found on the Company's homepage (www.richter.hu), on the website of the Budapest Stock Exchange (www.bet.hu).

EXTRAORDINARY PRESS RELEASES

Date	Subject matter, brief summary
30 January 2007	Information on conversion of shares
27 April 2007	Resolutions on the Annual General Meeting of Gedeon Richter held on 25 April 2007
3 July 2007	Richter receives final FDA (U.S. Food & Drug Administration) approval of its ANDA for Terbinafine Hydrochloride Tablets
17 July 2007	Statement of Corporate Governance
6 August 2007	Gedeon Richter Plc. & Helm AG establish a joint venture company in the field of biotechnology
10 August 2007	Gedeon Richter Plc. reports that the acquisition of Strathmann Biotech GmbH Co. & KG is approved by the German Competition Authority
31 August 2007	Information on the conversion of preference shares into dematerialised ordinary shares
10 October 2007	Gedeon Richter sold to Hungaropharma its 50 percent stake in Medimpex Zrt.
15 October 2007	Gedeon Richter Plc. purchased 95.78 percent stake in the Romanian public company Pharmafarm
16 October 2007	Forest Laboratories Inc. and Gedeon Richter Plc. announced the results of Phase II/B clinical trials performed on schizophrenic patients
15 November 2007	Gedeon Richter announced its proposal for combination with Polpharma S. A. to be concluded by a share capital raise
15 November 2007	Gedeon Richter announced its proposal to acquire Akrihin
16 November 2007	Invitation to the Extraordinary General Meeting held on 18 December 2007
03 December 2007	Proposed Agenda for the Extraordinary General Meeting held on 18 December 2007
05 December 2007	Gedeon Richter obtained the approval of the Competition Authority to sell its 50 percent stake in Medimpex Zrt.
18 December 2007	Resolutions of the Extraordinary General Meeting held on 18 December 2007

RECENT LITIGATION

Merck & Co., Inc. in its claim filed against the Company on 7 April 2005, requested the establishment of the infringement of its patent registered under no. 211.908 by the production and distribution of the Company's product SEDRON. On 9 June 2005, as an interim injunction, the court prohibited the Company from manufacturing and distributing SEDRON products and simultaneously ordered the plaintiff to deposit HUF 3 billion as security. Due to the final and binding retroactive nullification of Merck's patent, on 30 January 2006, the Metropolitan Court set aside the interim injunction.

In order to enforce its claim for damages arising from the interim injunction, the Company submitted a counterclaim on 1 February 2006 by requesting the Court to order Merck to pay HUF 3,503.5 million, the interest with respect thereto as of 1 December 2005, and the costs of the proceedings. On 12 February 2007, on the basis of the expert opinion, the Company refined the amount of its claim to HUF 2,794.7 million, and the interest with respect thereto. The Metropolitan Court in its interlocutory judgement dated 19 February 2007 established that Merck is liable for the loss caused by the interim injunction. Against the interlocutory judgement Merck filed an appeal, and the Company also filed an appeal against the reasoning of the judgement. The Metropolitan Court of Appeals at the hearing on 9 October 2007 set aside the interlocutory judgement and ordered the Metropolitan Court to carry out new proceedings. The Metropolitan Court set the date of the next hearing on May 14, 2008 and requested the Company to submit its evidences on the losses.

UNCONSOLIDATED FINANCIAL STATEMENTS

UNCONSOLIDATED INCOME STATEMENT⁽¹⁾

for the year ended 31 December	2007	2006
	HUF m	HUF m
Sales	170,735	170,299
Royalty and other similar income	481	796
Total sales	171,216	171,095
Cost of sales	(69,137)	(66,183)
Gross profit	102,079	104,912
Sales and marketing expenses	(35,151)	(31,480)
Administration and general expenses	(9,684)	(10,494)
Research and development expenses	(17,051)	(13,764)
Other income and other expenses	(5,399)	(1,987)
Operating profit	34,794	47,187
Net financial income	1,724	2,283
Profit before taxation	36,518	49,470
Income tax	11	136
Solidarity tax	(1,015)	-
Profit for the year	35,514	49,606
Earnings per share (HUF)		
Basic	1,909	2,664
Diluted ⁽²⁾	1,906	2,662

⁽¹⁾ Audited Unconsolidated Financial Statements of Richter for year 2007 prepared in accordance with the International Financial Reporting Standards (IFRS).

⁽²⁾ According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

UNCONSOLIDATED BALANCE SHEET

As at 31 December	2007	2006
	HUF m	HUF m
ASSETS		
Non-current assets	186,036	164,812
Property, plant and equipment	111,035	110,315
Intangible assets	2,704	3,005
Investments	48,620	39,831
Deferred tax assets	644	633
Loans receivable	23,033	11,028
Current assets	140,230	144,216
Inventories	40,985	43,379
Trade receivables	45,139	37,679
Other receivables	5,314	11,429
Current tax asset	208	151
Investments in securities	4,700	7,363
Cash and cash equivalents	42,784	44,215
Non-current assets classified as held for sale	1,100	-
Total Assets	326,266	309,028
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	305,953	285,914
Share capital	18,638	18,638
Share premium	15,212	15,209
Capital reserves	3,475	3,475
Treasury shares	(1,673)	(493)
Fair value reserve	23	43
IFRS 2 reserve	-	1,753
Retained earnings	270,278	247,289
Non-current liabilities	-	-
Borrowings	-	-
Current liabilities	20,313	23,114
Borrowings	-	-
Trade payables	10,723	14,413
Other payables	9,317	8,630
Provision	273	71
Total shareholders' equity and liabilities	326,266	309,028

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Capital reserves	Treasury shares	Fair value reserve	IFRS 2 reserve	Retained earnings	Total
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Balance at 31 December 2005	18,638	15,207	3,475	(100)	164	-	208,855	246,239
Ordinary share dividend for 2005	-	-	-	-	-	-	(11,171)	(11,171)
Net profit for the year	-	-	-	-	-	-	49,606	49,606
Fair value adjustment	-	-	-	-	(121)	-	-	(121)
IFRS 2 reserves	-	-	-	-	-	1,753	-	1,753
Dividend – preference shares	-	-	-	-	-	-	(1)	(1)
Conversion of preference shares	-	2	-	-	-	-	-	2
Treasury shares issued and purchased	-	-	-	(393)	-	-	-	(393)
Balance at 31 December 2006	18,638	15,209	3,475	(493)	43	1,753	247,289	285,914
Dividend – ordinary shares	-	-	-	-	-	-	(12,841)	(12,841)
Net profit for the year	-	-	-	-	-	-	35,514	35,514
Fair value adjustment	-	-	-	-	(20)	-	-	(20)
Release of IFRS 2 reserve	-	-	-	-	-	(1,753)	316	(1,437)
Conversion of preference shares	-	3	-	-	-	-	-	3
Treasury shares issued and purchased	-	-	-	(1,180)	-	-	-	(1,180)
Balance at 31 December 2007	18,638	15,212	3,475	(1,673)	23	-	270,278	305,953

UNCONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December	2007	2006
	HUF m	HUF m
Operating activities		
Net profit from operating activities	34,794	47,187
Changes in provision for defined benefit plans	213	-
Depreciation and amortisation	16,825	16,051
Changes in IFRS 2 reserve	(1,753)	1,753
Write off IFRS 2	316	-
Changes amount of receivables	(1,402)	(11,447)
Changes amount of inventories	2,394	(2,917)
Changes amount of payables and other adjustments	(4,053)	4,077
Tax paid	-	(151)
Changes amount of disposal of property, plant and equipment	261	143
Net cash flow from operating activities	47,595	54,696
Investing activities		
Purchase of property, plant and equipment and intangible assets	(17,818)	(26,320)
Proceeds from disposal of property, plant and equipment	313	204
Changes amount of non-current investments	(9,890)	(4,816)
Changes amount of securities	2,643	9,488
Changes amount of loans receivable	(12,005)	(7,396)
Interest and similar income	8,036	9,647
Dividends received	922	1,114
Net cash flow from investing activities	(27,799)	(18,079)
Financing activities		
Proceeds from conversion of preference shares	3	2
Proceeds from disposal of Treasury shares	(1,180)	(393)
Other financial expenses	(7,234)	(8,478)
Dividends paid	(12,816)	(11,115)
Net repayment receipt of long-term borrowings	-	(4)
Net cash flow from financing activities	(21,227)	(19,988)
(Decrease) / Increase in cash and cash equivalents	(1,431)	16,629
Cash and cash equivalents at beginning of year	44,215	27,586
(Decrease) / Increase	(2,484)	18,199
Effects of exchange rates	1,053	(1,570)
Cash and cash equivalents at end of year	42,784	44,215

UNCONSOLIDATED FINANCIAL RECORD 1997-2007

INCOME STATEMENTS (HUF M)	1997	1998	1999	2000
for the years ended 31 December				
Total sales	52,016	55,063	59,554	74,107
Cost of sales	(24,060)	(24,630)	(27,102)	(29,598)
Gross profit	27,956	30,433	32,452	44,509
Operating expenses and other income and expenses	(13,373)	(17,159)	(17,468)	(23,310)
Operating profit	14,583	13,274	14,984	21,199
Royalty and other similar income	536	282	344	549
Net financial income	3,384	3,731	2,488	(1,106)
Net other income / exceptional items	152	-	-	-
Profit before taxation	18,655	17,287	17,816	20,642
Income tax	-	300	(1,180)	(1,528)
Solidarity tax	-	-	-	-
Net profit for the year	18,655	17,587	16,636	19,114

SHARE STATISTICS (HUF)				
Earnings per share ⁽¹⁾	1,017	944	893	1,026
Dividends per ordinary share	270	230	240	250

INCOME STATEMENTS (US\$ M)	1997	1998	1999	2000
for the years ended 31 December				
Total sales	278.6	258.4	250.4	261.9
Cost of sales	(128.9)	(115.6)	(114.0)	(104.6)
Gross profit	149.7	142.8	136.4	157.3
Operating expenses and other income and expenses	(71.6)	(80.5)	(73.4)	(82.4)
Operating profit	78.1	62.3	63.0	74.9
Royalty and other similar income	2.9	1.3	1.4	1.9
Net financial income	18.1	17.5	10.5	(3.9)
Net other income / exceptional items	0.8	-	-	-
Profit before taxation	99.9	81.1	74.9	72.9
Income tax	-	1.4	(4.9)	(5.4)
Solidarity tax	-	-	-	-
Net profit for the year	99.9	82.5	70.0	67.5

SHARE STATISTICS (US\$)				
Earnings per share *	5.45	4.43	3.76	3.62
Dividends per ordinary share	1.45	1.08	1.01	0.88

Notes: • Figures for 1997 and 2002 have been restated.

• EPS calculations based on the total number of shares issued, diluted excluding exceptional and non-recurring items.

• 2007 dividends per ordinary share of HUF 450 are as recommended by the Board of Directors.

• This Financial Record is not part of the audited Unconsolidated Financial Statements prepared in accordance with IFRS.

* Note: According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

2001	2002	2003	2004	2005	2006	2007
88,731	99,308	116,659	121,593	140,929	171,095	171,216
(35,606)	(40,076)	(42,343)	(47,813)	(54,494)	(66,183)	(69,137)
53,125	59,232	74,316	73,780	86,435	104,912	102,079
(30,914)	(34,089)	(39,697)	38,772	(49,071)	(57,725)	(67,285)
22,211	25,143	34,619	35,008	37,364	47,187	34,794
201	-	-	-	-	-	-
4,008	4,567	1,713	2,459	6,259	2,283	1,724
-	-	-	-	-	-	-
26,420	29,710	36,332	37,467	43,623	49,470	36,518
(1,628)	(1,530)	(2,654)	8	-	136	11
-	-	-	-	-	-	(1,015)
24,792	28,180	33,678	37,475	43,623	49,606	35,514

1,330	1,512	1,807	2,011	2,341	2,662	1,906
310	330	440	500	600	690	450

2001	2002	2003	2004	2005	2006	2007
309.6	389.1	520.8	599.0	705.7	814.7	934.6
(124.2)	(157.0)	(189.0)	(235.5)	(272.9)	(315.2)	(377.4)
185.4	232.1	331.8	363.5	432.8	499.5	557.2
(107.9)	(133.6)	(177.3)	(191.1)	(245.7)	(274.9)	(367.3)
77.5	98.5	154.5	172.4	187.1	224.6	189.9
0.7	-	-	-	-	-	-
14.0	17.9	7.7	12.2	31.3	10.9	9.4
-	-	-	-	-	-	-
92.2	116.4	162.2	184.6	218.4	235.5	199.3
(5.7)	(6.0)	(11.9)	-	-	0.6	0.1
-	-	-	-	-	-	(5.5)
86.5	110.4	150.3	184.6	218.4	236.1	193.9

4.64	5.92	8.07	9.91	11.72	12.67	10.40
1.08	1.29	1.96	2.46	3.00	3.29	2.46

BALANCE SHEET (HUF M)	1997	1998	1999	2000
as at 31 December				
Non-current assets	30,773	45,981	58,444	70,200
Net other assets and liabilities	33,354	36,696	32,053	35,445
Non-current liabilities	(24)	(578)	(6)	(2)
Total net assets	64,103	82,099	90,491	105,643
Share capital	18,638	18,638	18,638	18,638
Reserves	48,608	66,223	74,371	88,904
Treasury shares	(3,143)	(2,762)	(2,518)	(1,899)
Shareholders' equity	64,103	82,099	90,491	105,643
Total assets and shareholders' equity and liabilities	76,589	88,199	105,215	120,283

CAPITAL EXPENDITURE	9,469	14,736	15,608	17,366
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BALANCE SHEET (US\$ M)	1997	1998	1999	2000
as at 31 December				
Non-current assets	151.2	211.8	231.5	246.6
Net other assets and liabilities	163.9	169.0	126.9	124.5
Non-current liabilities	(0.1)	(2.6)	-	-
Total net assets	315.0	378.2	358.4	371.1
Share capital	91.6	85.9	73.8	65.5
Reserves	238.8	305.0	294.6	312.3
Treasury shares	(15.4)	(12.7)	(10.0)	(6.7)
Shareholders' equity	315.0	378.2	358.4	371.1
Total assets and shareholders' equity and liabilities	376.4	406.3	416.7	422.5

CAPITAL EXPENDITURE	50.7	69.2	65.6	61.4
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Notes: • Figures for 1997 have been restated.

• Prior to 1997, Treasury shares were reported as Net other assets and liabilities.

• This Financial Record is not part of the audited Unconsolidated Financial Statements prepared in accordance with IFRS.

Throughout this Annual Report, certain Hungarian Forint (HUF) amounts have been converted into US Dollar for indicative purposes only. Expenditure and income amounts incurred during a period have been converted at an average rate calculated by the Company. Balance sheet figures for the end of the period have been translated at the year-end rates.

EXCHANGE RATES (US\$ / HUF)	1997	1998	1999	2000
Average	186.7	213.1	237.8	283.0
End of year	203.5	217.1	252.5	284.7

NUMBER OF EMPLOYEES	1997	1998	1999	2000
End of year	4,450	4,575	4,730	4,835

2001	2002	2003	2004	2005	2006	2007
83,173	99,815	110,800	127,707	142,593	164,812	186,036
42,684	55,126	71,261	83,591	103,700	121,102	119,917
(15)	(19)	(11)	(4)	-	-	-
125,842	154,922	182,050	211,294	246,239	285,914	305,953
18,638	18,638	18,638	18,638	18,638	18,638	18,638
108,199	136,380	163,918	193,345	227,701	267,769	288,988
(995)	(96)	(506)	(689)	(100)	(493)	(1,673)
125,842	154,922	182,050	211,294	246,239	285,914	305,953
142,300	167,253	194,236	227,620	265,221	309,028	326,266

14,934	17,419	20,053	24,259	25,799	26,320	17,818
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2001	2002	2003	2004	2005	2006	2007
298.1	443.2	533.0	708.3	666.4	862.4	1,077.8
153.0	244.8	342.8	463.6	484.8	633.7	694.8
-	(0.1)	(0.1)	-	-	-	-
451.1	687.9	875.7	1,171.9	1,151.2	1,496.1	1,772.6
66.8	82.7	89.6	103.4	87.1	97.5	108.0
387.8	605.6	788.5	1,072.3	1,064.5	1,401.2	1,674.3
(3.5)	(0.4)	(2.4)	(3.8)	(0.4)	(2.6)	(9.7)
451.1	687.9	875.7	1,171.9	1,151.2	1,496.1	1,772.6
510.0	742.7	934.3	1,262.5	1,239.9	1,617.1	1,890.3

52.1	68.3	89.5	119.5	129.2	125.3	97.3
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2001	2002	2003	2004	2005	2006	2007
286.6	255.2	224.0	203.0	199.7	210.0	183.2
279.0	225.2	207.9	180.3	213.9	191.1	172.6

2001	2002	2003	2004	2005	2006	2007
5,007	5,124	5,466	5,619	5,867	5,971	6,194

Audited Consolidated Financial Statements
based on IFRS requirements include all subsidiaries, joint ventures
and associated companies of Gedeon Richter Plc.

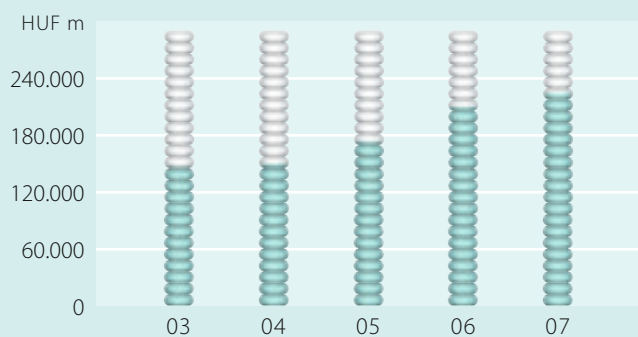


CONSOLIDATED FINANCIAL HIGHLIGHTS – RICHTER GROUP

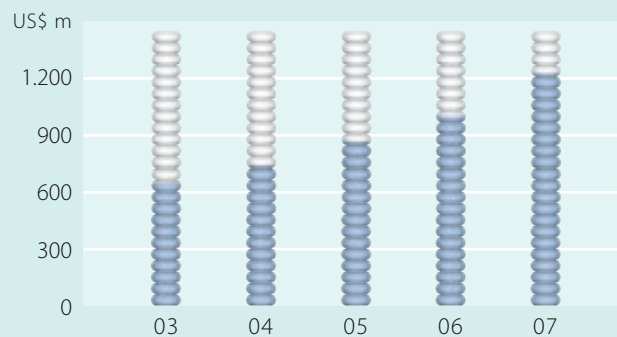
	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
Total sales	224,076	209,373	7.0	1,223.1	997.0	22.7
Operating profit	36,283	49,527	-26.7	198.1	235.9	-16.0
Net profit for the year	33,336	51,278	-35.0	182.0	244.2	-25.5

	2007	2006	Change	2007	2006	Change
	HUF	HUF	%	US\$	US\$	%
Earnings per share (EPS)*	1,789	2,751	-35.0	9.76	13.10	-25.5
Dividends per ordinary share	450	690	-34.8	2.46	3.29	-25.2

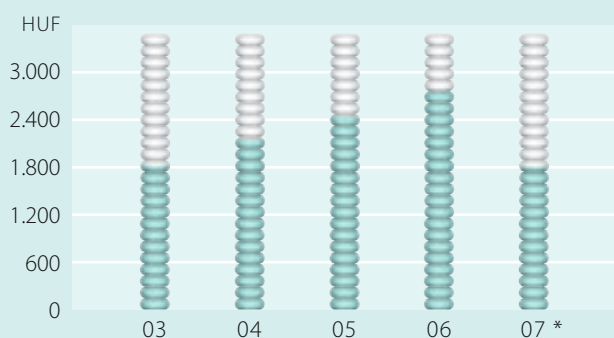
SALES



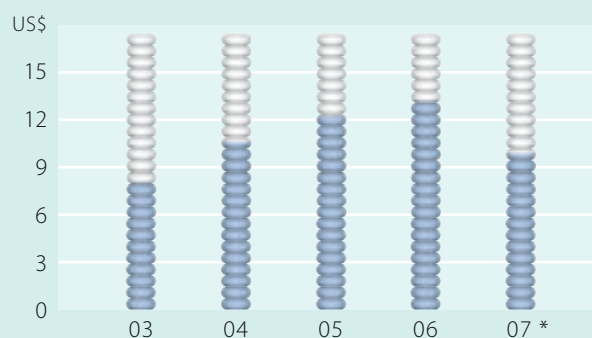
SALES



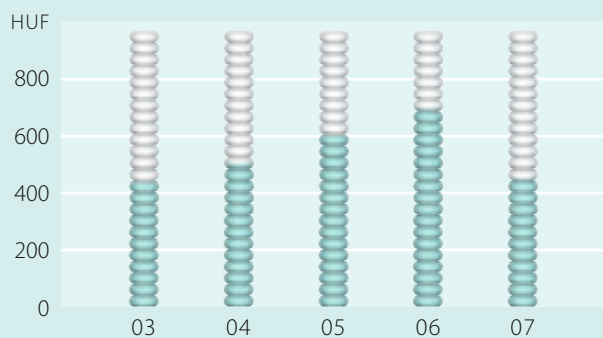
EARNINGS PER SHARE



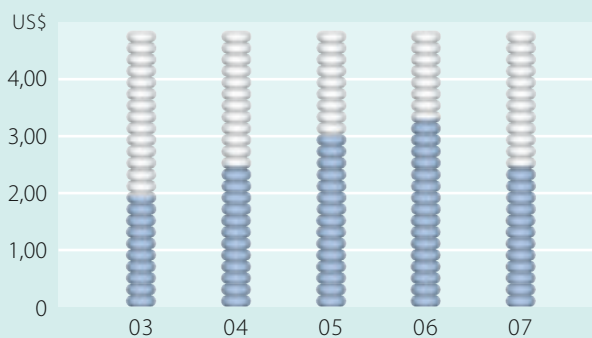
EARNINGS PER SHARE



DIVIDENDS PER ORDINARY SHARE



DIVIDENDS PER ORDINARY SHARE



Notes: • Earnings per share: Calculations based on the total number of shares issued.
• 2007 dividends per ordinary share of HUF 450 as recommended by the Board of Directors.

*Note: According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

RICHTER – A REGIONAL MIDPHARMA GROUP

The primary activities of the Company are the research and development, the manufacturing and the marketing of pharmaceutical products and in this endeavour the Company is supported by a number of subsidiaries, joint ventures and associated companies. The Richter Group comprises of these companies and the parent company Gedeon Richter Plc. This group has established synergies and thus means more than a simple association of the individual performances of its members. Our manufacturing subsidiaries which operate in our traditional markets together with the establishment and continuous development of our own, specialised marketing network have created the foundation for a strong regional multinational Group.

Through the establishment of greenfield investments in Russia and India, Gedeon Richter Plc. has expanded its network of manufacturing bases. The Company has also emphasised its regional multinational character through acquisitions in Romania and Poland.

A number of marketing companies support the activity of Gedeon Richter in several countries of the world. A wholesaler in Hungary – Hungaropharma Zrt. – supports the activity of the Group in the domestic market. In order to implement a vertically integrated business model of Gedeon Richter Romania S. A. on the Romanian market, this company acquired through its subsidiary, Armedica Trading S. R. L., a number of wholesaler and retail companies during 2006 and 2007. The consolidated sales reported have been impacted in particular the acquisition of the Dita Group which was finalised in the first half of 2007. Armedica Trading S. R. L. also initiated a merger of wholesaler and some retail companies. The merger of the acquired wholesale companies took place by the means of their consolidation into Dita Import Export S. R. L., and this was registered by the Court in July 2007. 26 further pharmacies were included in the Consolidation in the fourth quarter of 2007. The new companies as well as the 13 other companies previously included in the Consolidation will not appear as individual companies because we have proceeded to merge of these 26 companies, with those 14 previously consolidated ones. The merger of a further 35 pharmacies is ongoing, the result of which is to appear in the audited annual consolidated financial report.

On 15 October 2007 Richter announced that it had acquired through its subsidiary, Armedica Trading S. R. L. a 95.78 percent stake in Pharmafarm, a public Romanian retail and wholesale group. The parent company of the latter group is a wholesaler with an approximate 2.5 percent market share. Its affiliate company, owned 100 percent by Pharmapharm exercises retail activity by operating 14 pharmacy units. The approval of the Romanian Competition Authority was received at the end of 2007. The financial completion of the transaction and the inclusion of the company in the Consolidation will most likely occur in the first quarter of 2008, pending upon the approval by the supervisory authority of the stock exchange.

Richter and Helm AG acquired Strathmann Biotec GmbH Co. & KG, during the third quarter obtaining a 70 percent and 30 percent stake ownership, respectively. The acquired company was included in the Consolidation in the fourth quarter of 2007 under the name Richter-Helm Biologics Co. & KG.

On 9 October 2007 Gedeon Richter sold its 50 percent stake in a Medimpex Gyógyszer-nagykereskedelmi Zrt. to Hungaropharma Gyógyszerkereskedelmi Zrt. The Hungarian Competition Authority acknowledged the controlling stake of Hungaropharma Zrt. over Medimpex Zrt. in December 2007. The completion of the transaction is expected to occur during the first quarter of 2008.

On 15 November 2007 the Company announced a strategic combination with the largest Polish generic manufacturer, Polpharma as well as the acquisition of Russian generic manufacturer, Akrihin. The Polpharma transaction was approved by the Extraordinary General Meeting of Gedeon Richter held on 18 December 2007 and is expected to be completed in the first half of 2008. Following completion Richter will be placed among the leading pharmaceutical companies on the Polish market and will further enhance its position in Russia.

Richter also participates in a number of other companies that assist the main activities of the Parent Company by providing certain services.

The Company has used the opportunity given by the Hungarian Accounting Law to prepare its consolidated financial statements only based on IFRS requirements. Audited consolidated financial statements based on IFRS requirements include all subsidiaries, joint ventures and associated companies of Richter.

Companies involved in the consolidation procedure are shown in the table on next page.

CONSOLIDATED COMPANIES

Name	Country	Ownership %	Voting rights % ⁽¹⁾	Activity
Subsidiaries				
ZAO Gedeon Richter-RUS	Russia	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.37	99.37	Pharmaceutical manufacturing
GZF Polfa Sp. z o.o.	Poland	70.20	70.20	Pharmaceutical manufacturing
Richter Themis Ltd.	India	51.00	51.00	Pharmaceutical manufacturing
Gedeon Richter Pharma GmbH	Germany	100.00	100.00	Pharmaceutical trading
Gedeon Richter USA Inc.	USA	100.00	100.00	Pharmaceutical trading
Medimpex France S.A.R.L.	France	99.99	99.99	Pharmaceutical trading
RG Befektetéskezelő Kft.	Hungary	100.00	100.00	Financial, accounting and controlling activities
Gedeon Richter UA V.A.T.	Ukraine	98.10	98.10	Pharmaceutical manufacturing
Biowet Drwalew S.A.	Poland	69.95	69.95	Manufacturing of veterinary products
Gedeon Richter UK Ltd.	UK	100.00	100.00	Pharmaceutical trading
Gedeon Richter Iberica S.A. ⁽²⁾	Spain	100.00	100.00	Pharmaceutical trading
Medimpex Hong-Kong Ltd.	Hong Kong	100.00	100.00	Pharmaceutical trading
Nedermed B.V.	Netherlands	100.00	100.00	Pharmaceutical trading
Medimpex Japan Co. Ltd.	Japan	90.90	90.90	Pharmaceutical trading
Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	Pharmaceutical trading
Medimpex West Indies Ltd.	Jamaica	60.00	60.00	Pharmaceutical trading
Humanco Kft.	Hungary	100.00	100.00	Social, welfare services
Pesti Sas Holding Kft.	Hungary	100.00	100.00	Portfolio management
Richter Szolgáltató Kft.	Hungary	100.00	100.00	Catering services
Reflex Kft.	Hungary	100.00	100.00	Transportation, carriage
Cito-Trans Kft.	Hungary	100.00	100.00	Car rental
Chemitechnik Pharma Kft.	Hungary	66.67	66.67	Engineering services
GYEL Kft.	Hungary	66.00	66.00	Quality control services
Armedica Trading S.R.L.	Romania	99.37	99.37	Asset management
Gedeon Richter Farmacia S.A. ⁽⁵⁾	Romania	98.89	98.89	Pharmaceutical retail
Magnolia S.R.L.	Romania	98.89	98.89	Pharmaceutical retail
Gedeon Richter France S.A.R.L.	France	99.67	99.67	Pharmaceutical trading
Subsidiaries newly included in the consolidation				
Dita Import Export S.R.L.	Romania	99.37	99.37	Pharmaceutical wholesale
Pharma Plus S.R.L. ⁽⁵⁾	Romania	93.95	93.95	Pharmaceutical retail
Richter Helm Biologics Co. & KG	Germany	70.00	70.00	Biotechnological manufacturing and research
RG Helm Biologics Management GmbH	Germany	70.00	70.00	Asset management
Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	Pharmaceutical retail
Joint ventures ⁽³⁾				
Medimpex Gyógyszer-nagykereskedelmi Zrt. ⁽⁴⁾	Hungary	50.00	50.00	Pharmaceutical wholesale
Medimpex UK Ltd.	UK	50.00	50.00	Pharmaceutical trading
Medimpex Irodaház Kft.	Hungary	50.00	50.00	Real estate rental
Pesti Sas Patika Bt.	Hungary	74.00	50.00	Pharmaceutical retail
Farnham Laboratories Ltd.	UK	50.00	50.00	Pharmaceutical trading
Tacto-Logic Kft.	Hungary	33.33	33.33	Research and development
Westpharma S.R.L. ⁽⁵⁾	Romania	50.00	50.00	IT services
Richter Helm Biotech Management GmbH	Germany	50.00	50.00	Asset management
Associated companies ⁽⁶⁾				
Hungaropharma Zrt.	Hungary	30.54	30.54	Pharmaceutical wholesale
Pannonmedicina Zrt.	Hungary	43.50	43.50	Pharmaceutical wholesale
Salvia-Med Bt.	Hungary	13.04	13.04	Pharmaceutical retail
Szondi Bt.	Hungary	33.00	33.00	Pharmaceutical retail
Gyulai Fodormenta Bt.	Hungary	20.00	20.00	Pharmaceutical retail
Top Medicina Bt.	Hungary	20.00	20.00	Pharmaceutical retail
Gedeon Richter Ukrfarm O.O.O.	Ukraine	49.00	49.00	Pharmaceutical trading
Medservice Richter O.O.O.	Kazakhstan	49.00	49.00	Pharmaceutical trading
Pharmarichter O.O.O.	Russia	49.00	49.00	Pharmaceutical sales promotion
P.S.P. Richter O.O.O.	Georgia	49.00	49.00	Pharmaceutical trading
Richpangalpharma O.O.O.	Moldavia	49.00	49.00	Pharmaceutical trading
Richter-Lambron O.O.O.	Armenia	49.00	49.00	Pharmaceutical trading
Vita-Richter O.O.O.	Azerbaijan	49.00	49.00	Pharmaceutical trading
ZAO Farmograd	Russia	45.00	45.00	Pharmaceutical trading

Notes: ⁽¹⁾ Voting rights for decision making at the consolidated company's General Meetings.

⁽²⁾ Change of subsidiary name, earlier reported as Mediberia S.A.

⁽³⁾ Joint ventures were consolidated by proportion.

⁽⁴⁾ Assets and liabilities of Medimpex Gyógyszer-nagykereskedelmi Zrt. are reported on the following Balance Sheet lines: Assets classified as held for sale and Liabilities directly associated with Assets classified as held for sale.

⁽⁵⁾ The former members of the Romanian retail group merged into Gedeon Richter Farmacia S.A. in the last quarter of 2007. The Pharmaplus S.R.L. and Westpharma S.R.L. were consolidated in the last quarter of 2007 for the first time.

⁽⁶⁾ Associated companies were consolidated by equity method.

BRIEF OPERATING REVIEW

The activities of Gedeon Richter Plc. are those which mostly determine the overall performance of the Richter Group. While the Parent company's sales in 2007 were flat compared to the previous year, the turnover of the Group increased by 7.0 percent. Sales for the Group in 2007 totalled HUF 224,076 million (US\$ 1,223.1 million) as analysed in the following table:

SALES BY REGION

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
		Restated (1) (2)			Restated (1) (2)	
Hungary	47,496	54,827	-13.4	259.2	261.1	-0.7
Export	176,580	154,546	14.3	963.9	735.9	31.0
CIS	69,664	65,581	6.2	380.3	312.3	21.8
EU ⁽¹⁾	76,014	57,803	31.5	414.9	275.2	50.8
EU12	60,175	42,569	41.4	328.5	202.7	62.1
EU15	15,839	15,234	4.0	86.4	72.5	19.2
USA	19,489	19,108	2.0	106.4	91.0	16.9
Other countries ⁽²⁾	11,413	12,054	-5.3	62.3	57.4	8.5
Total	224,076	209,373	7.0	1,223.1	997.0	22.7

Notes: ⁽¹⁾ All Member States of the enlarged EU following 1 May 2004 and 1 January 2007, except for Hungary. Figures of the period for comparison are restated.

⁽²⁾ Restated to exclude Romania & Bulgaria following their accession to EU on 1 January 2007.

SUBSIDIARIES AND JOINT VENTURE WITH SIGNIFICANT SALES LEVELS (BEFORE CONSOLIDATION)

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
GZF Polfa Sp. z o.o.	11,642	11,768	-1.1	63.5	56.0	13.4
Gedeon Richter Romania S. A.	4,718	4,306	9.6	25.8	20.5	25.9
ZAO Gedeon Richter-RUS	6,236	5,439	14.7	34.0	25.9	31.3
Medimpex Gyógyszer-nagykereskedelmi Zrt.*	16,445	19,076	-13.8	89.8	90.8	-1.1
Dita Import Export S. R. L.	18,813	-	n.a.	102.7	-	n.a.

* Note: Sales levels are proportional with Richter's ownership ratio.

INTERNATIONAL MANUFACTURING

Polish and Romanian manufacturing companies included in the Richter Group following acquisition have their own product portfolio. Both GZF Polfa and Gedeon Richter Romania S. A. manufacture primarily for their respective – Poland and Romania – domestic markets and possess their own developing capacity. The importance of intragroup shipments and exports is however gradually increasing.

ZAO Gedeon Richter-RUS is a Russia-based manufacturing company with tableting and packaging activities and thus expanding opportunities for the Group in the local market. Richter Themis Ltd., the Company's API production subsidiary which was established in 2004, following its capital expenditure programme and the successful commencement of pilot production, it delivered intermediate shipments to the parent company on a continuous basis throughout 2007.

SUMMARY FINANCIAL REVIEW

KEY FINANCIAL DATA

	2007	2006	Change	2007	2006	Change
	HUF m	HUF m	%	US\$ m	US\$ m	%
Total sales	224,076	209,373	7.0	1,223.1	997.0	22.7
Gross profit	119,697	119,669	0.0	653.4	569.9	14.7
Gross margin %	53.4	57.2		53.4	57.2	
Operating profit	36,283	49,527	-26.7	198.1	235.9	-16.0
Operating margin %	16.2	23.7		16.2	23.7	
Profit before taxation	35,780	52,113	-31.3	195.3	248.2	-21.3
Profit after taxation	33,971	51,402	-33.9	185.4	244.8	-24.3
Net profit for the year	33,336	51,278	-35.0	182.0	244.2	-25.5
Net profit margin %	14.9	24.5		14.9	24.5	
EPS (HUF, US\$)*	1,789	2,751	-35.0	9.76	13.10	-25.5
Total assets and total shareholders' equity and liabilities	347,963	325,784	6.8	2,016.0	1,704.8	18.3
Shareholders' equity	306,183	288,115	6.3	1,773.9	1,507.7	17.7
Capital expenditure	23,197	32,351	-28.3	126.6	154.1	-17.8
Number of employees at year-end	9,528	8,526	11.8			

* Notes: • EPS calculations based on the total number of shares issued.

• According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

COST, PROFIT

Cost of sales amounted to HUF 104,379 million, 16.4 percent higher when compared with 2006 levels.

Sales and Marketing expenses amounted to HUF 43,308 million during the reported period, a 13.9 percent increase compared with 2006. Their proportion to sales virtually unchanged and represented 19.3 percent in 2007.

Administrative and General expenses totalled HUF 14,900 million during the reported period, representing a decrease of 0.9 percent compared to the levels recorded in the previous year.

Research and Development costs represented 8.1 percent of sales and amounted to HUF 18,063 million during 2007.

Other income and other expenses, the balance of which was on the cost side during both 2007 and 2006, increased from HUF 2,606 million to HUF 7,143 million.

Operating profit was 26.7 percent lower at HUF 36,283 million during the reported period, while the consolidated operating margin declined to 16.2 percent from 23.7 percent due to decreasing operating margin suffered by the Parent company as well as to an increase in the share of consolidated sales levels originating from the wholesale activity.

Profit before taxation amounted to HUF 35,780 million, a decrease of HUF 16,333 million compared to the levels achieved in 2006.

Profit after taxation totalled HUF 33,971 million and was HUF 1,543 million lower than that of the Parent Company during the reported period while in 2006 it was HUF 1,796 million higher than the net profit of the Parent Company.

The fact that the consolidated profit was lower than that of the Parent Company was due to various reasons, including among other technical items as well as certain reassessments. The consolidated operating profit for the Group was slightly higher than that of the Parent Company by HUF 1,489 million, as the contribution of subsidiaries was reduced by an impairment loss accounted at the end of the year on trade receivables at both our Russian and Romanian subsidiaries. Net financial income of the Group was reduced by excluding the reversal at the Parent Company of a previously accounted impairment loss in the value of HUF 835 million related to investments at Gedeon Richter-RUS as well as a dividend and interest income received from associated companies in the value of HUF 1,756 million. The consolidated net financial income was further reduced in comparison to the Parent Company by exchange losses incurred at our Romanian subsidiaries and reassessment losses due to the devaluation of the RON.

Minority interest in the reported period totalled HUF 635 million.

Consolidated net profit decreased by HUF 17,942 million during 2007 to HUF 33,336 million. It represented 14.9 percent of sales compared with the 24.5 percent reported for 2006.

BALANCE SHEET

Total assets and total shareholders' equity and liabilities of the Group amounted to HUF 347,963 million at 31 December 2007, HUF 22,179 million, or 6.8 percent higher than the level reported at 31 December 2006.

Non-current assets amounted to HUF 175,487 million at 31 December 2007, representing an increase of 9.2 percent when compared to the level reported at 31 December 2006.

Current assets increased by HUF 7,369 million (4.5 percent) when compared to the level realised at 31 December 2006 and amounted to HUF 172,476 million mainly due to higher levels of Trade Receivables.

Shareholders' equity of the Group amounted to HUF 306,183 million, an increase of HUF 18,068 million over the balance as at 31 December 2006.

Current liabilities of the Group at HUF 31,870 million on 31 December 2007 were 8.5 percent higher than at 31 December 2006 primarily due to higher levels of Other payables.

EMPLOYEES

NUMBER OF EMPLOYEES AT THE END OF THE YEAR

	2007	2006	Growth
Parent Company	6,194	5,971	223
Manufacturing companies	2,097	1,770	327
Trading and other subsidiaries and joint ventures	1,237	785	452
Total	9,528	8,526	1,002

At the end of 2007 the Richter Group comprised 2,097 employees at its manufacturing companies. These included 759 employed at GZF Polfa, 492 at Gedeon Richter Romania S. A., 255 at ZAO Gedeon Richter-RUS, 191 at Biowet Drwalew, 57 at Gedeon Richter UA V. A. T., 246 at Richter Themis Ltd. and 97 at Richter Helm Biologics Co. & KG.

The Consolidated Financial Statements in this Annual Report
have been prepared in accordance with
International Financial Reporting Standards (IFRS)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Richter Gedeon Vegyészeti Gyár Nyrt.

We have audited the accompanying consolidated financial statements of Richter Gedeon Vegyészeti Gyár Nyrt. and subsidiaries, which comprise the consolidated balance sheet as at December 31, 2007, and the related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Audit • Tax • Consulting • Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Registered by the Budapest Court of Registration
Company Reg. No.: 01-09-071057

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Richter Gedeon Vegyészeti Gyár Nyrt. and subsidiaries as of December 31, 2007, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, March 14, 2008.



Gábor Gion
Deloitte
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Tamás Horváth
Registered Auditor
003449

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December	Notes	2007	2006
		HUF m	HUF m
Sales		223,624	208,620
Royalty and other similar income		452	753
Total sales		224,076	209,373
Cost of sales		(104,379)	(89,704)
Gross profit		119,697	119,669
Sales and marketing expenses		(43,308)	(38,015)
Administration and general expenses		(14,900)	(15,035)
Research and development expenses		(18,063)	(14,486)
Other income and other expenses		(7,143)	(2,606)
Profit from operations	5	36,283	49,527
Income from associate		735	863
Net financial income	7	(1,238)	1,723
Profit before taxation		35,780	52,113
Income tax	8	(1,809)	(711)
Profit after taxation		33,971	51,402
Minority interest		(635)	(124)
Profit for the year		33,336	51,278
Earnings per share (HUF)	9		
Basic		1,792	2,753
Diluted		1,789	2,751

The notes on pages 80 to 107 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December	Notes	2007	2006
		HUF m	HUF m
ASSETS			
Non-current assets		175,487	160,677
Property, plant and equipment	11	144,863	136,049
Intangible assets	11	7,747	4,525
Investment property	12	762	771
Investment	15	10,388	10,833
Investments in associates	15	6,032	5,713
Deferred tax assets	17	789	1,066
Goodwill	18	3,892	1,524
Loans receivable		1,014	196
Current assets		172,476	165,107
Inventories	19	52,874	52,716
Trade receivables	20	55,453	44,863
Other current assets	21	6,140	8,349
Current tax asset	17	208	60
Investment in securities	22	5,400	7,911
Cash and cash equivalents	23	49,831	51,208
Assets classified as held for sale	16	2,570	-
Total Assets		347,963	325,784
EQUITY AND LIABILITIES			
Capital and reserves		306,183	288,115
Share capital	24	18,638	18,638
Share premium		15,212	15,209
Capital reserves		3,475	3,475
Treasury shares	25	(1,718)	(538)
Translation reserves		(3,562)	(3,517)
Fair value reserves		25	43
IFRS 2 reserve	26	-	1,753
Retained earnings		274,113	253,052
Minority interest		8,198	5,813
Non-current liabilities		1,712	2,485
Borrowings		463	710
Deferred tax liability	17	725	245
Other non-current liability		524	1,530
Current liabilities		31,870	29,371
Borrowings		392	184
Trade payables	27	18,083	17,919
Other payables and accruals	28	11,287	10,372
Current tax liabilities	17	-	-
Provisions	29	1,020	896
Liabilities directly associated with assets classified as held for sale	16	1,088	-
Total equity and liabilities		347,963	325,784

The notes on pages 80 to 107 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Fair value reserves	Translation reserves	IFRS 2 reserve	Retained earnings	Total
		HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Balance at 1 January 2006		18,638	15,207	3,475	(145)	164	(3,745)	-	212,946	246,540
Exchange differences arising on translation of foreign operations		-	-	-	-	-	228	-	-	228
Equity component of convertible preference shares		-	2	-	-	-	-	-	-	2
Treasury shares issued and purchased	25	-	-	-	(393)	-	-	-	-	(393)
Profit for the year		-	-	-	-	-	-	-	51,278	51,278
Ordinary share dividend for 2005	30	-	-	-	-	-	-	-	(11,171)	(11,171)
IFRS 2 reserve	26	-	-	-	-	-	-	1,753	-	1,753
Dividend – preference shares		-	-	-	-	-	-	-	(1)	(1)
Fair value adjustment		-	-	-	-	(121)	-	-	-	(121)
Balance at 31 December 2006		18,638	15,209	3,475	(538)	43	(3,517)	1,753	253,052	288,115
Exchange differences arising on translation of foreign operations		-	-	-	-	-	(45)	-	-	(45)
Equity component of convertible preference shares		-	3	-	-	-	-	-	-	3
Treasury shares issued and purchased	25	-	-	-	(1,180)	-	-	-	-	(1,180)
Profit for the year		-	-	-	-	-	-	-	33,336	33,336
Ordinary share dividend for 2006	30	-	-	-	-	-	-	-	(12,841)	(12,841)
IFRS 2-effect	26	-	-	-	-	-	-	(1,753)	316	(1,437)
Fair value adjustment		-	-	-	-	(18)	-	-	-	(18)
Adjustments in connection with acquisition of new Romanian investments		-	-	-	-	-	-	-	250	250
Balance at 31 December 2007		18,638	15,212	3,475	(1,718)	25	(3,562)	-	274,113	306,183

The notes on pages 80 to 107 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December	Notes	2007	2006
		HUF m	HUF m
Operating activities			
Net profit from operating activities		36,283	49,527
Depreciation and amortisation		20,213	18,749
Changes in IFRS 2 reserve	26	(1,753)	1,753
Write off IFRS 2	26	316	-
Adjustments in connection with acquisition of new Romanian investments		250	-
Changes in receivables		(8,252)	(15,158)
Changes in inventories		(158)	(5,389)
Changes in payables and other liabilities		166	6,813
Tax paid	17	(1,536)	(118)
Changes in provisions for defined benefit plans	34	213	-
Result from disposal of property, plant and equipment		991	(3)
Movements attributable to minority interests		1,750	(673)
Change in the amount of assets and related liabilities classified as held for sale		(1,482)	-
Net cash flow from operating activities		47,001	55,501
Cash flow from investing activities			
Purchase of property, plant and equipment		(23,197)	(32,351)
Effect of fixed assets of newly consolidated companies		(10,679)	-
Proceeds from disposal of property, plant and equipment		645	519
Changes in non-current investments		(1,507)	(5,921)
Changes in current investments		2,493	11,020
Changes in loans receivable		(818)	9
Interest and similar income		2,797	2,437
Dividend income		70	137
Net cash flow from investing activities		(30,196)	(24,150)
Cash flow from financing activities			
Proceeds from conversion of preference shares		3	2
Proceeds from disposal of Treasury shares		(1,180)	(393)
Dividends paid		(12,816)	(11,115)
Other cash flows from financing activities		(4,105)	(851)
Net repayment of long-term borrowings		(39)	(287)
Net cash flow from financing activities		(18,137)	(12,644)
Net (decrease) / increase in cash and cash equivalents		(1,332)	18,707
Cash and cash equivalents at beginning of year			
Effect of foreign exchange rate changes		(45)	228
Effect of newly consolidated companies		-	(878)
Cash and cash equivalents at end of year		49,831	51,208

The notes on pages 80 to 107 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL BACKGROUND

I) LEGAL STATUS AND NATURE OF OPERATIONS

Gedeon Richter Plc. ("the Company"), the Parent Company of the Group a manufacturer of pharmaceutical products based in Budapest, was established first as a Public Limited Company in 1923. The predecessor of the Parent Company was founded in 1901 by Mr Gedeon Richter, when he acquired a pharmacy. In 1990, Kőbányai Gyógyszerárugyár ("KGY"), a state owned enterprise which was transformed into a Company limited by shares ("Rt."), was amalgamated into the Parent Company. The Company is headquartered in the Republic of Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

II) ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements. (Note 10)

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following Interpretations were in issue but not yet effective:

I)	IFRIC 11 IFRS 2: Group and Treasury Share Transactions	Effective 1 March 2007
II)	IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	Effective 1 January 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

III) BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis of accounting, as modified by a revaluation of fixed assets existing as of 1 November 1990, and in accordance with International Financial Reporting Standards (IFRS). They are stated in millions of Hungarian forints (HUF m). The members of the Group maintain accounting, financial and other records in accordance with relevant local laws and accounting requirements. In order to present financial statements which comply with IFRS, appropriate adjustments have been made by the members of the Group to the local statutory accounts.

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

From 2002 Richter Group has published consolidated financial statements in accordance with International Financial Reporting Standards. The parent company previously prepared non consolidated IFRS reports.

According to a management's decision each subsidiary, joint venture and associated company – controlled directly or indirectly by the Parent Company – has been included in the consolidation from 2005.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

I) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Parent Company and enterprises directly or indirectly controlled by the Parent Company (its subsidiaries, joint ventures and associated companies). Control of an enterprise is achieved where the Parent Company has the power to govern financial and operating policies so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are included in the consolidated financial statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of assets and liabilities recognised.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised separately in the consolidated balance sheet and is not amortised in line with IFRS 3. In each reporting period the Parent Company reviews its goodwill. The Discounted Cash Flow method is used for fair value calculation.

If the investment's fair value is below net book value of the goodwill – realised when first consolidated – is charged as an impairment with the difference between the fair and book value. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arises in cases the fair value of net assets (difference of assets, liabilities and contingent liabilities) is above acquisition costs. It is accounted for as revenue at the date of recognition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances between group enterprises are eliminated in consolidation.

II) INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

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

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

An associated company is an enterprise of the Group on which the Parent Company is able to exercise directly or indirectly significant influence due to its influence in the financial and operating activity of the company.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

III) FOREIGN CURRENCY TRANSACTION

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of MKB Plc. closing mid-rates prevailing on the balance sheet date except for share capital, which is translated at historic value. Income and expense items are translated at the annual average exchange rates for the period. Exchange differences arising, if any, are classified in the equity at the Group's Translation reserve. Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation.

The financial statements of the foreign subsidiary that reports in the currency of a former hyperinflationary economy (Gedeon Richter Romania S.A.) were restated in former years in terms of the measuring unit current at the balance sheet date before they are translated into the Group's reporting currency.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate on balance sheet date.

IV) REVENUE RECOGNITION

Revenue on sales transactions is recognised in accordance with the terms of sales contracts when title has passed. Revenue is shown excluding value added taxes. All other income earned and expenditure incurred is allocated to the appropriate period by applying the accrual basis.

V) PROPERTY, PLANT AND EQUIPMENT

Depreciation is charged so as to write-off the cost of assets on a straight-line basis over their estimated useful lives. The Group uses the following depreciation rates based on the straight line method:

Name	Depreciation %
Land	0
Buildings, investment property	1-4.5%
Plant and equipments	5-33.33%
Vehicles	10-20%
Office equipments	8-33.33%

Depreciation is calculated monthly, and recognised as cost of sales in the Consolidated Income Statement.

Assets in the course of construction are not depreciated. The cost of maintenance, repairing are not capitalised.

When the Parent Company was transformed into a Company limited by shares property, plant and equipment were revalued as of 1 November 1990. The revalued assets as of 1 November 1990 are being depreciated over the remainder of their original useful life. Except for Gedeon Richter Romania S.A., Dita Import Export S.R.L. and Gedeon Richter Farmacia S.A., the property, plant and equipment of the consolidated companies were not revalued.

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

VI) INTANGIBLE ASSETS

Expenditures on trademarks, licences, patents and software are capitalised and amortised if it is likely that the expected future benefits that are attributable to such an asset will flow to the entity, and costs of these assets can be reliably measured. The Group is using the straight line method over their estimated useful lives as follows:

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

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

VII) INVESTMENT PROPERTY

The investment properties are valued with cost model according to the Accounting Policy of Richter Group. At the balance sheet date the fair value is calculated by DCF model.

VIII) IMPAIRMENT

At each balance sheet date, the members of the Group review the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of such an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

IX) RESEARCH AND DEVELOPMENT

Research and development expenditures are included in the income statement in the year in which they are incurred.

X) INVESTMENTS

Investments comprise associated companies consolidated by the equity method, investments in other companies and the long term bonds.

Unconsolidated investments are those investments where the Parent Company does not hold controlling powers or does not have an ability to exercise significant influence. These investments are accounted for at cost, and they are not classified as held for sale in accordance with IFRS 5.

Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

XI) LOANS RECEIVABLE

The loans receivables include the loans given to employees at fair value, with the discounted value of receivables at balance sheet date.

XII) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related overhead costs.

XIII) TRADE RECEIVABLES

Trade receivables are stated at their nominal value as reduced by appropriate impairment for estimated losses. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date.

XIV) INVESTMENTS IN SECURITIES

Investments in securities are assessed at their fair value at the date of reporting with calculations based on publically quoted prices. Unrealised gains and losses are credited/charged directly to shareholders' equity.

XV) TRADE PAYABLES

Trade payables are stated at their nominal cost.

XVI) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are valued at fair value that exist at reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in the income statement.

XVII) CASH FLOW STATEMENT

Cash and cash equivalents for the purpose of the cash-flow statement, comprise: cash in hand, bank deposits, and investments in money market instruments with a maturity date within three months accounted from the date of acquisition, net of bank overdrafts.

XVIII) PROVISIONS

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

The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the commencement of remedial work is ruled by a legally binding decision and when expenditure on such remedial work is likely and its costs can be estimated within a reasonable range.

XIX) INCOME TAXES

The taxation charge is based on the tax payable under the appropriate fiscal law, adjusted for deferred taxation.

Deferred income tax is provided, using the liability method, in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates currently in force are used to determine the amount of deferred income tax. Deferred tax assets are recognised only to the extent that it is anticipated that they can be utilised against available future taxable profits.

XX) SEGMENT INFORMATION

The Group is currently organised into two main segments for management purposes: Pharmaceutical manufacturing and sale, and Pharmaceutical wholesale and retail. These are the bases on which the Group reports its primary segment information.

Geographical segments being determined as secondary segments are as follows:

1. Hungary
2. CIS
3. EU
4. USA
5. Other countries

XXI) IFRS2

The IFRS2 reserve, presented as equity, is calculated according to the regulation, registered with the Ministry of Finance as security-allotment programme.

In line with the programme approved by the Ministry of Finance related to employee share bonuses, the Parent Company granted ordinary shares for its employees. The participants were entitled for a definite number of ordinary shares on 1 October each year depending on the length of their employment. The number of the shares granted were calculated on the basis of the average daily BSE share price a day before the shares were deposited.

XXII) IAS 19

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

XXIII) APPROVAL OF FINANCIAL STATEMENTS

Current consolidated financial statements have been approved by the Board of Directors and authorised for issue on 25 March, 2008.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. No revenue is recognised if the Group retains effective control over the goods sold.

4. SEGMENT INFORMATION

I) BUSINESS SEGMENTS

	Pharmaceutical manufacturing and sale		Pharmaceutical wholesale and retail		Eliminations		Total	
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
	2007	2006	2007	2006	2007	2006	2007	2006
3rd party revenues	188,353	187,864	35,723	21,509	-	-	224,076	209,373
Inter segment sales	3,139	2,168	1	4	(3,140)	(2,172)	-	-
Total sales	191,492	190,032	35,724	21,513	(3,140)	(2,172)	224,076	209,373
Profit from operations	37,617	49,801	(1,330)	(254)	(4)	(20)	36,283	49,527
Total assets	335,859	318,631	28,143	15,013	(16,039)	(7,860)	347,963	325,784
Liabilities	24,081	26,856	25,536	13,439	(16,035)	(8,439)	33,582	31,856
Capital expenditure	22,434	31,832	763	519	-	-	23,197	32,351
Depreciation	19,947	18,627	266	122	-	-	20,213	18,749
Income from associates	4	13	731	850	-	-	735	863
Investments in associates	6,167	5,562	(135)	151	-	-	6,032	5,713

II) GEOGRAPHICAL SEGMENTS

2007	Hungary	CIS	EU	USA	Other countries	Total
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Total sales	47,496	69,664	76,014	19,489	11,413	224,076
Total assets	259,573	14,083	27,638	4,115	42,554	347,963
Capital expenditure	18,045	1,204	737	0	3,211	23,197
2006	Hungary	CIS	EU	USA	Other countries	Total
	HUF m	HUF m	HUF m	HUF m	HUF m	HUF m
Total sales	54,827	65,581	47,701	19,108	22,156	209,373
Total assets	257,365	13,745	20,995	5,277	28,402	325,784
Capital expenditure	26,568	1,629	1,597	1	2,556	32,351

5. PROFIT FROM OPERATIONS

	2007	2006
	HUF m	HUF m
Total sales	224,076	209,373
Changes in inventories of finished goods and work in progress, cost of goods sold	(34,991)	(20,923)
Material type expenses	(75,932)	(68,967)
Personnel expenses	(49,514)	(48,601)
Depreciation	(20,213)	(18,749)
Other income and expenses*	(7,143)	(2,606)
Operating profit	36,283	49,527

* Milestone payments received from our partners during 2006 in accordance with existing research agreements had a positive impact on other income and expenses, but there were no such incomes in 2007.

6. EMPLOYEE INFORMATION

	2007	2006
Average number of people employed during the year	9,326	8,501

The newly consolidated companies resulted in an increase of 341 in the average number of employees during 2007.

7. NET FINANCIAL INCOME

Net financial income is analysed in detail in the following table:

	2007	2006
	HUF m	HUF m
Net interest income	2,797	2,437
Dividend income	70	137
Realised gains on forward exchange contracts	429	2,200
Unrealised (losses)/gains from the fair value of forward exchange contracts	-	2,078
Impairment gains of equity investments	76	76
Exchange (losses) realised on trade receivables and trade payables	(2,454)	(484)
(Losses) on foreign currency loans receivable	(1,202)	(690)
Unrealised exchange (losses) on trade receivables and trade payables	(659)	(2,402)
Other financial items	(295)	(1,629)
Total	(1,238)	1,723

Unrealised financial income/(expense) was heavily influenced by the 172,57 US\$/HUF and 253,40 EUR/HUF exchange rates in effect on 31 December 2007 which impacted the reassessment of currency related balance sheet items. These reassessments together resulted in a decrease of HUF 1.5 billion in the net financial income for 2007 while the same items decreased the net financial income by almost HUF 5 billion in 2006.

The Parent Company has concluded forward exchange contracts to manage its exposure to fluctuations in exchange rates since January 2000. There is no opened forward contract concerning 2008 at the end of 2007.

8. INCOME TAX EXPENSE

From 1 January 2004, as a result of its capital expenditure program and an increase in the number of employees, the Parent Company benefits from a 100 percent tax holiday, likely to last until 2011.

In accordance with a new act for a "solidarity tax" which targets the correction of the budget balance and which was passed by Parliament and promulgated in July 2006, the Parent Company is also obliged to pay a 4 % extraordinary tax on its profit before taxation. The regulation was changed during the fourth quarter 2006 with direct costs of R&D being deducted from the calculation base so as to promote innovation. There was 1,030 m HUF extraordinary tax payment obligation of the Group in 2007, but no such obligation in 2006 for Richter Gedeon Plc.

	2007	2006
	HUF m	HUF m
Domestic	(29)	(28)
Foreign	(477)	(628)
Extraordinary tax	(1,030)	-
Current tax	(1,536)	(656)
Deferred tax (17)	(273)	(55)
Income tax	(1,809)	(711)

The average effective tax rate calculated on the basis of the current tax is 4.3% and 5.1% calculated with deferred asset. (In 2006 these rates were 1.3% and 1.4%)

9. CONSOLIDATED EARNINGS PER SHARE

Basic earnings per share is calculated by reference to the net profit attributable to shareholders and the weighted average number of ordinary shares in issue during the year. These exclude the average number of ordinary shares purchased by the Company and held as Treasury shares.

EPS (BASIC)

	2007	2006
Net consolidated profit attributable to shareholders (HUF m)	33,336	51,278
Weighted average number of ordinary shares in issue (thousands)	18,606	18,623
Basic earnings per share (HUF)	1,792	2,753

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are the ordinary shares of Richter Gedeon Plc. which are intended by the Parent Company to be granted to Management and to Employees as part of its remuneration policy.

EPS (DILUTED *)

	2007	2006
Net consolidated profit attributable to shareholders (HUF m)	33,336	51,278
Weighted average number of total shares outstanding (thousands)	18,637	18,637
Diluted earnings per share (HUF)	1,789	2,751

* The Polpharma acquisition has no major impact on diluted EPS index according to latest information.

10. FINANCIAL INSTRUMENTS

I.) FOREIGN CURRENCY RISK MANAGEMENT

FOREIGN EXCHANGE SENSITIVITY OF ACTUAL COSTS

The Group does business in a number of regions, and countries of different currencies. The most typical transaction currencies are the USD and EUR. The calculation of exposure to foreign currencies is based on these two currencies.

The foreign currency risk management calculation is based on the items exposed to exchanges of foreign currencies of the Parent Company and the three principal subsidiaries (GZF Polfa, RG Romania, RG RUS). The items of the other consolidated companies are held as non exposed to foreign currency fluctuation. The effect of the risk arising from currency fluctuation is measured by assuming HUF +/-5 change in the exchange rates.

	Currencies			Effect on operating profit
	€/HUF	\$/HUF	€/\$	HUF m
102.0%	256.2			
		178.2	1.44	(383)
		183.2	1.40	761
		188.2	1.36	1,904
100.0%	251.2			
		178.2	1.41	(1,143)
		183.2	1.37	0
		188.2	1.33	1,143
98.0%	246.2			
		178.2	1.38	(1,904)
		183.2	1.34	(761)
		188.2	1.31	383

The worst case scenario is when both EUR and USD would weaken against HUF. In this case the operating profit would fall by 1,904 HUF million.

CURRENCY SENSITIVITY OF BALANCE SHEET ITEMS

Currency sensitivity analysis of balance sheet items is applied to 3rd parties trade payables, trade receivables and bank accounts in foreign currency, considering that items of related parties is eliminated during consolidation. The calculation is based on the items of the Parent Company and the three principal subsidiaries (GZF Polfa, RG Romania, RG RUS). The effect of the risk arising from currency fluctuation is measured by assuming HUF +/-5 change in the exchange rates.

	Currencies			Effect on financial result
	€/HUF	\$/HUF	€/\$	HUF m
102.0%	258.4			
		175.6	1.47	844
		172.6	1.50	491
		169.6	1.52	138
100.0%	253.4			
		175.6	1.44	353
		172.6	1.47	0
		169.6	1.49	(353)
98.0%	248.4			
		175.6	1.41	(138)
		172.6	1.44	(491)
		169.6	1.46	(844)

The worst case scenario is when both EUR and USD would weaken against HUF. In this case the consolidated financial result would decrease by 844 HUF million.

II.) CREDIT RISK MANAGEMENT

The Parent Company does business with key customers in many countries. These customers are major import distributors in their countries and management of the Parent Company maintains close contact with them on an ongoing basis. Provisions for doubtful receivables are estimated by the Parent Company's management based on prior experience and current economic environment.

Regions	Trade receivables	Mode of security		
	31 December 2007	Credit insurance	Bank guarantee	L/C
	HUF m	HUF m	HUF m	HUF m
CIS	18,028	16,464	1,472	92
EU	361	-	361	-
USA	-	-	-	-
Other	322	-	101	221
Total	18,711	16,464	1,934	313

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

The Parent Company has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.

11. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

	Land and buildings	Plant and equipment	Intangible assets	Assets in the course of construction	Total
	HUF m	HUF m	HUF m	HUF m	HUF m
GROSS VALUE					
at 31 December 2006	78,969	137,260	8,909	16,352	241,490
Effect of newly consolidated companies	4,433	4,606	3,538	28	12,605
Capitalization	13,493	15,987	1,110	(30,590)	-
Transfers and capital expenditure	-	38	-	23,197	23,235
Disposals and other conversions	(679)	(3,138)	(281)	(274)	(4,372)
Non-current assets classified as held for sale	(378)	(484)	(164)	-	(1,026)
at 31 December 2007	95,838	154,269	13,112	8,713	271,932
ACCUMULATED DEPRECIATION					
at 31 December 2006	15,901	80,631	4,384	-	100,916
Effect of newly consolidated companies	270	1,650	6	-	1,926
Current year depreciation	2,134	16,854	1,213	-	20,201
Net foreign currency exchange differences	5	(19)	-	-	(14)
Disposals, conversion	(295)	(2,681)	(74)	-	(3,050)
Non-current assets classified as held for sale	(80)	(413)	(164)	-	(657)
at 31 December 2007	17,935	96,022	5,365	-	119,322
NET BOOK VALUE					
at 31 December 2006	63,068	56,629	4,525	16,352	140,574
at 31 December 2007	77,903	58,247	7,747	8,713	152,610

All items of property, plant and equipment are free from liens and charges. The amount of Land and buildings does not contain the value of Investment property.

12. INVESTMENT PROPERTY

A real estate property, located in Budapest is accounted for as investment property owned by Medimpex Irodaház Kft. This company is a joint venture with EGIS Plc. in 50-50%.

The investment properties are valued with cost model according to the Group Accounting Policy.

Book value of investment property:

	Investment property
	HUF m
GROSS VALUE	
at 31 December 2006	874
Capitalization	3
at 31 December 2007	877
ACCUMULATED DEPRECIATION	
at 31 December 2006	103
Current year depreciation	12
at 31 December 2007	115
NET BOOK VALUE	
at 31 December 2006	771
at 31 December 2007	762

The Discounted Cash Flow method is used for calculation of investment property's fair value. The Company's portion of value is HUF 1,012 million as of December 31, 2007.

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

	2007
	HUF m
Income from renting real estate	151
Operating expenses	37

13. CONSOLIDATED COMPANIES

Details of the Group's subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %	Proportion of voting rights held %	Principal activity
ZAO Gedeon Richter - RUS	Russia	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.37	99.37	Pharmaceutical manufacturing
GZF Polfa Sp. z o.o.	Poland	70.20	70.20	Pharmaceutical manufacturing
Richter Themis Ltd.	India	51.00	51.00	Pharmaceutical manufacturing
Gedeon Richter Pharma GmbH	Germany	100.00	100.00	Pharmaceutical trading
Gedeon Richter USA Inc.	USA	100.00	100.00	Pharmaceutical trading
Medimpex France S.A.R.L.	France	99.99	99.99	Pharmaceutical trading
RG Befektetéskezelő Kft.	Hungary	100.00	100.00	Financial-accounting and controlling activities
Gedeon Richter UA V.A.T.	Ukraine	98.10	98.10	Pharmaceutical manufacturing
Biowet Drwalew S.A.	Poland	69.95	69.95	Manufacturing of veterinary products
Gedeon Richter UK Ltd.	UK	100.00	100.00	Pharmaceutical trading
Gedeon Richter Iberica S.A.	Spain	100.00	100.00	Pharmaceutical trading
Medimpex Hong Kong Ltd.	Hong-Kong	100.00	100.00	Pharmaceutical trading
Nedermed B.V.	Netherlands	100.00	100.00	Pharmaceutical trading
Medimpex Japan Co. Ltd.	Japan	90.90	90.90	Pharmaceutical trading
Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	Pharmaceutical trading
Medimpex West Indies Ltd.	Jamaica	60.00	60.00	Pharmaceutical trading
Humanco Kft.	Hungary	100.00	100.00	Social, welfare services
Pesti Sas Holding Kft.	Hungary	100.00	100.00	Portfolio management
Richter Szolgáltató Kft.	Hungary	100.00	100.00	Catering services
Reflex Kft.	Hungary	100.00	100.00	Transportation, carriage
Cito-Trans Kft.	Hungary	100.00	100.00	Car rental
Chemitechnik Pharma Kft.	Hungary	66.67	66.67	Engineering services
GYEL Kft.	Hungary	66.00	66.00	Quality control services
Armedica Trading S.R.L.	Romania	99.37	99.37	Asset management
Gedeon Richter Farmacia S.A.	Romania	98.89	98.89	Pharmaceutical retail
Magnolia S.R.L.	Romania	98.89	98.89	Pharmaceutical retail
Gedeon Richter France S.A.R.L.	France	99.67	99.67	Pharmaceutical retail

Subsidiaries newly included in the consolidation

Name	Date of acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %	Proportion of voting rights held %	Principal activity
Dita Import Export S.R.L.	06.2007	Romania	99.37	99.37	Pharmaceutical wholesale
Pharmaplus S.R.L.	12.2007	Romania	93.95	93.95	Pharmaceutical retail
RG Helm Biologics Co. & KG	10.2007	Germany	70.00	70.00	Biotechnological manufacturing and research
RG Helm Biologics Management GmbH	10.2007	Germany	70.00	70.00	Asset management
Gedeon Richter-Retea Farmaceutica S.R.L.	10.2007	Moldavia	51.00	51.00	Pharmaceutical retail

14. JOINT VENTURES

The Group had the following interests in joint ventures:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %	Proportion of voting rights held %	Principal activity
Medimpex UK. Ltd.	UK	50.00	50.00	Pharmaceutical trading
Medimpex Irodaház Kft.	Hungary	50.00	50.00	Renting real estate
Pesti Sas Patika Bt.	Hungary	74.00	50.00	Pharmaceutical retail
Farnham Laboratories Ltd.	UK	50.00	50.00	Pharmaceutical trading

Joint ventures newly included in the consolidation

Name	Date of acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %	Proportion of voting rights held %	Principal activity
Tacto-Logic Kft.	06.2007	Hungary	33.33	33.33	Research and development
Westpharma S.R.L.	12.2007	Romania	50.00	50.00	Informatics services
RG Helm Biotech Management GmbH	10.2007	Germany	50.00	50.00	Assets management

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

	2007	2006
	HUF m	HUF m
Current assets	611	2,773
Non-current assets	441	939
Short-term liabilities	415	2,003
Long-term liabilities	1	-
Sales	18,451	21,455
Cost of sales	17,041	19,918

Balance sheet items do not include the figures of Medimpex Gyógyszer-nagykereskedelmi Zrt., and its subsidiary Pannonmedicina Zrt. These are presented in note 16.

15. INVESTMENTS IN ASSOCIATED COMPANY AND OTHER INVESTMENTS

At 31 December 2007 the following associated company have been accounted for by the equity method:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %	Proportion of voting rights held %	Principal activity
Hungaropharma Zrt.	Hungary	30.54	30.54	Pharmaceutical wholesale
Salvia-Med Bt.	Hungary	13.04	20.00	Pharmaceutical retail
Szondi Bt.	Hungary	33.00	33.00	Pharmaceutical retail
Gyulai Fodormenta Bt.	Hungary	20.00	20.00	Pharmaceutical retail
Top Medicina Bt.	Hungary	20.00	20.00	Pharmaceutical retail
Gedeon Richter Ukrfarm O.O.O.	Ukraine	49.00	49.00	Pharmaceutical trading
Medservice Richter O.O.O.	Kazakhstan	49.00	49.00	Pharmaceutical trading
Pharmarichter O.O.O.	Russia	49.00	49.00	Pharmaceutical sales promotion
P.S.P. Richter O.O.O.	Georgia	49.00	49.00	Pharmaceutical trading
Richpangalpharma O.O.O.	Moldavia	49.00	49.00	Pharmaceutical trading
Richter-Lambron O.O.O.	Armenia	49.00	49.00	Pharmaceutical trading
Vita-Richter O.O.O.	Azerbaijan	49.00	49.00	Pharmaceutical trading
ZAO Farmograd	Russia	45.00	45.00	Pharmaceutical trading

	31 December 2007	31 December 2006
	HUF m	HUF m
Investments in associates	6,032	5,713
Other investments	7,211	7,690
Long-term bonds	3,177	3,143
Total	16,420	16,546

Long-term bonds are held until maturity date. Other investments are not consolidated available for sale investments.

16. ASSETS CLASSIFIED AS HELD FOR SALE

On October 9, 2007 the Parent Company sold its 50% stake in Medimpex Gyógyszer-nagykereskedelmi Zrt. to Hungaropharma Zrt. The completion of the transaction was subject to the approval of the (Hungarian) Competition Authority, which was received on 5 December 2007. The assets and liabilities of MPX Zrt. are recognised separately as assets classified as held for sale and liabilities directly associated with assets classified as held for sale. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	31 December 2007	31 December 2006
	HUF m	HUF m
Intangible assets	1	-
Property, plant and equipment	369	-
Investments	314	-
Inventories	931	-
Trade receivables and other current assets	1,428	-
Cash and cash equivalents	(473)	-
Assets of construction business classified as held for sale	2,570	-
Trade payables	995	-
Other payables and accruals	93	-
Deferred tax liabilities	-	-
Liabilities of construction business associated with assets classified as held for sale	1,088	-
Net assets of construction business classified as held for sale	1,482	-

The 87% ownership of MPX Zrt. in Pannonmedicina Zrt. is included in the investments.

17. INCOME TAX AND DEFERRED TAX

Current tax assets and liabilities:

	2007	2006
	HUF m	HUF m
Current tax asset	208	60
Current tax liability	-	-

Deferred tax is calculated by the liability method based on the temporary differences. Due to the Parent Company's 100 percent tax relief applied, deferred tax recognised as of 31 December 2007 only includes the deferred tax (at 16 percent) calculated for the temporary differences that are expected to continue following the expiry of the tax relief. Deferred tax assets and liabilities and the deferred tax (charge)/credit in the income statement are included to the following items:

	2007	2006
	HUF m	HUF m
Analysis for financial reporting purposes		
Deferred tax assets	789	1,066
Deferred tax liabilities	(725)	(245)
Net position at 31 December	64	821

The following are the major changes in deferred tax liabilities and assets recognised by the Group during 2007:

	31 December 2007	Deferred tax carried by subsidiary	(Charged)/ credited to retained earnings	(Charged)/ credited to Income Statement	31 December 2006
	HUF m	HUF m	HUF m	HUF m	HUF m
Deferred tax					
Depreciation	645	-	-	11	634
Other temporary differences	(1)	-	-	-	(1)
Consolidation adjustments	145	429	(433)	(284)	433
Consolidation adjustments (tax liabilities)	(725)	(725)	245	-	(245)
Total	64	(296)	(188)	(273)	821

The following are the major changes in deferred tax liabilities and assets recognised by the Group during 2006:

	31 December 2006	Deferred tax carried by subsidiary	(Charged)/ credited to retained earnings	(Charged)/ credited to Income Statement	31 December 2005
	HUF m	HUF m	HUF m	HUF m	HUF m
Deferred tax					
Depreciation	634	-	-	136	498
Other temporary differences	(1)	-	-	-	(1)
Consolidation adjustments	433	624	(446)	(191)	446
Consolidation adjustments (tax liabilities)	(245)	(245)	71	-	(71)
Total	821	379	(375)	(55)	872

At the balance sheet date, the Group had HUF 38 million unused tax losses (HUF 288 million in 2006) which may be available for offset against future profits.

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

18. GOODWILL

	Goodwill
	HUF m
COST	
At 1 January 2006	455
Changes in opening value	-
Increase deriving from acquisition of subsidiaries	1,095
At 31 December 2006	1,550
At 1 January 2007	1,550
Changes in opening value	-
Increase deriving from acquisition of subsidiaries	2,368
At 31 December 2007	3,918
IMPAIRMENT	
At 1 January 2006	(26)
Impairment charged for the year	-
Decrease deriving from disposal of subsidiaries	-
At 31 December 2006	(26)
At 1 January 2007	(26)
Impairment charged for the year	-
Decrease deriving from disposal of subsidiaries	-
At 31 December 2007	(26)
NET BOOK VALUE	
At 31 December 2006	1,524
At 31 December 2007	3,892

In 2007 the goodwill arises from the purchased shares from employees of Polfa, the acquisition of new Romanian wholesale and retail companies and GR Helm.

There was made impairment test for goodwill. No further impairment is necessary according to the test.

19. INVENTORIES

	2007	2006
	HUF m	HUF m
Raw materials, packaging and consumables	15,972	13,662
Production in progress	1,144	1,065
Semi-finished and finished goods	36,689	37,989
Assets classified as held for sale	(931)	-
Total	52,874	52,716

Inventories include impairment in value of HUF 1,370 million and reversal of impairment in value of HUF 978 million in 2007 (HUF 2,098 million impairment and HUF 513 million reversal was made in 2006).

The reversal of impairment is due to the change of market conditions.

20. TRADE RECEIVABLES

	2007	2006
	HUF m	HUF m
Trade receivables	44,435	30,700
Amounts due from related companies	12,407	14,163
Assets classified as held for sale	(1,389)	-
Total	55,453	44,863

Trade receivables include HUF 2,628 million impairment and HUF 2,597 million reversal of impairment in 2007 (in 2006 the net of impairment was HUF 2,471 million). The reversal of impairment is explained with the decrease of overdue receivables.

21. OTHER CURRENT ASSETS

	2007	2006
	HUF m	HUF m
Tax and duties recoverable	1,540	2,466
Loans receivable	204	238
Advances	1,015	1,165
Fair value of open forward exchange contracts (IAS 39)	-	1,959
Other receivables	1,815	1,022
Prepayments	1,605	1,499
Assets classified as held for sale	(39)	-
Total	6,140	8,349

22. SECURITIES

	2007	2006
	HUF m	HUF m
Treasury bills	3,868	3,723
Open-ended investment bond	1,500	2,063
Other securities	32	2,125
Assets classified as held for sale	-	-
Total	5,400	7,911

All current investments are classified as available for sale. The fair value adjustment was HUF 17.5 million in 2007, and HUF 42 million in 2006.

23. CASH AND CASH EQUIVALENTS

	2007	2006
	HUF m	HUF m
Bank deposits	48,693	50,082
Cash on hand	165	94
Short term securities (duration less than 3 months)	500	1,032
Assets classified as held for sale	473	-
Total	49,831	51,208

The fair value adjustment of short term securities was HUF 0.5 million in 2007.

24. SHARE CAPITAL

	2007		2006	
	Number	HUF m	Number	HUF m
Ordinary shares of HUF 1,000 each	18,637,486	18,638	18,634,027	18,634
12 percent non-voting cumulative preference shares of HUF 1,000 each	-	-	3,459	4
Total	18,637,486	18,638	18,637,486	18,638

The Annual General Meeting held on 25 April 2007 approved the conversion of all preference shares (3,459) into dematerialized ordinary shares.

Following the Court of Registration registered the resolutions of the AGM, the converted ordinary shares were launched to the Stock Exchange on 5 September 2007.

The Extraordinary General Meeting held on 18 December 2007 approved the capital raise from the current HUF 18,637,486,000 with HUF 6,212,497,000 to HUF 24,849,983,000 through the private issuance for Genefar BV of 6,212,497 new dematerialized series "D" registered common shares with a nominal value of HUF 1,000.

The in kind contribution to be provided by Genefar BV in exchange for the new shares shall be 99.65% of the shares Polpharma S.A. The subscription is expected to take place on the first half of 2008, after obtaining the applicable merger control approval.

25. TREASURY SHARES

It is the intention of the Company to grant Treasury shares to management and employees as part of its remuneration policy. Richter has implemented a bonus share programme since 1996 to further incentivise managers and key employees whose performance can significantly influence the Company's profitability. As of 1 January 2003 tax laws applicable to remuneration provided in the form of securities changed; such bonuses are now taxable as income from employment. In 2007 26,651 shares were distributed to 413 employees of the Company. Similar bonuses are expected to be granted also in 2008.

45,486 ordinary shares were granted to qualified employees as bonuses during the year.

Pursuant to a program approved by the Ministry of Finance related to employee share bonuses (Recognised Staff Stock Bonus Plan), the Company granted 38,918 treasury shares to 4,733 employees. The shares are deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2010.

The AGM held on 25 April 2007 has approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 105,210 treasury shares at the Budapest Stock Exchange during the year, and a further 36,274 shares on the OTC market.

NUMBER OF SHARES	Ordinary shares
at 31 December 2006	22,790
<i>Out of these, number of shares owned by subsidiaries</i>	<i>10,550</i>
Share purchase	141,484
Issued as part of bonus program	(26,651)
Bonuses	(45,486)
Granted pursuant to the Finance Ministry-approved plan	(38,918)
Granted pursuant to the Finance Ministry – re-entry	1,329
Shares of newly consolidated companies	-
at 31 December 2007	54,548
BOOK VALUE	HUF m
at 31 December 2006	538
Share purchase	5,256
Issued as part of bonus program	(1,034)
Bonuses	(1,655)
Granted pursuant to the Finance Ministry-approved plan	(1,437)
Granted pursuant to the Finance Ministry – re-entry	50
Shares of newly consolidated companies	-
at 31 December 2007	1,718

26. SHARE-ALLOTMENTS ACCOUNTED ACCORDING TO IFRS 2

The Board of Directors of the Company made no decision about the implementation in 2008 of the bonus share programme registered with the Ministry of Finance for the years 2006-2008. The amount of HUF 1,753 million, presented as IFRS2 reserve in the previous year, was paid in 2007.

The Company has no share-option programs.

27. TRADE PAYABLES

	2007	2006
	HUF m	HUF m
Trade payables	18,649	17,556
Amount due to related companies	429	363
Assets classified as held for sale	(995)	-
Total	18,083	17,919

28. OTHER PAYABLES

	2007	2006
	HUF m	HUF m
Wages and payroll taxes payable	3,547	3,776
Income tax	19	-
Dividend payable	129	104
Accruals	2,694	1,123
Other liabilities	1,774	854
Deposits from customers	1,190	781
Accrual for costs of share options and other bonuses	2,027	3,734
Fair value of open futures	-	-
Assets classified as held for sale	(93)	-
Total	11,287	10,372

29. PROVISIONS

	2007	2006
	HUF m	HUF m
Provision for environmental liabilities	-	-
Other provisions	94	896
Provision for retirement liabilities	926	-
Assets classified as held for sale	-	-
Total	1,020	896

30. DIVIDEND ON ORDINARY SHARES

	2007	2006
	HUF m	HUF m
Dividend paid on ordinary shares	12,841	11,171

A dividend of HUF 690 per share (HUF 12,841 million) was declared in respect of the 2006 results, approved at the Company's Annual General Meeting on 25 April 2007 and paid during the year. No dividend on ordinary shares has been declared in respect of the 2007 results, but it is anticipated that a dividend will be declared at the Annual General Meeting on 28 April 2008.

31. AGREED CAPITAL COMMITMENTS AND EXPENSES RELATED TO INVESTMENTS

	2007
	HUF m
Capital expenditure that has been contracted for program but not included in the financial statements	1,110
Capital expenditure that has been authorised by the directors but has not yet been contracted for	14,963

The capital expenditure programme of the Company approved by the Board of Directors totalling HUF 16,073 million comprises all costs associated with capital expenditure planned for 2008. The above commitments were not recorded either in the income statement or in the balance sheet.

32. GUARANTEES GIVEN IN RESPECT OF GROUP COMPANIES AND THIRD PARTIES

	2007
	HUF m
Medimpex Gyógyszer-nagykereskedelmi Zrt. – bank guarantee	950
Reményhez 2006 Gyógyszertári Bt. - bank guarantee	40
RG Befektetéskezelő Kft – Company guarantee to Medimpex UK Ltd.	36
Bank guarantee given by Medimpex Gyógyszernagykereskedelmi Zrt.	9
Biowet Drwalew S.A. - bank guarantee	82
Bank guarantee given by Gedeon Richter Pharma GmbH	2
Bank guarantee given by GZF Polfa Sp. z o.o.	6

33. RISK MANAGEMENT

The Parent Company has a number of investments in companies located in volatile economies. The risk associated with the valuation of these investments by reference to weakening currencies is somewhat mitigated on the basis that the underlying non-monetary assets may maintain their market value. The value of these investments represented by underlying monetary assets is fully exposed to the significant risk of currency devaluation.

34. SOCIAL SECURITY AND PENSION SCHEMES

At the Parent Company contributions amounting to 29 percent of gross salaries and a further HUF 1,950 per person per month healthcare allowance were paid during 2007 to the State Tax Authority. The Parent Company has no further obligations beyond the statutory rates in force during the year.

In November 1994, the Parent Company offered the opportunity to its employees and those of the related companies to join a voluntary pension fund. The Parent Company contributes 6 percent of the monthly gross wages for those employees who decided to participate in the scheme. In addition, a one-off contribution is made in respect of employees who are within five years of the statutory retirement age.

The total cost of the contributions made by the Parent Company was HUF 660 million in 2007. The pension fund had a total of 6,400 members in 2007, 4,406 of whom were members entitled to receive the Company contributions.

The Parent Company has contributed to a private health insurance fund for the benefit of its employees since 1 September 2003. Amounts paid in this respect during 2007 were HUF 3,200/person/month. 4,920 employees are

members of Patika Health Insurance Fund and the total amount paid on their behalf to the fund was HUF 189 million during 2007.

The contribution fulfilled Hungary based subsidiaries amounted HUF 33 million.

Foreign subsidiaries settle pension fund payments in favour of its employees.

None of the subsidiaries of the Group operate any similar pension schemes. RG Befektetéskezelő Kft., Humanco Kft., Reflex Kft., Richter Szolgáltató Kft. pay a pension contribution in amount of 6% of gross wages for employees and similar to the Parent Company they also pay a contribution to Patika Health Insurance Fund.

ACTUARIAL VALUATION RELATED TO RETIREMENT BENEFIT PLANS

PARENT COMPANY

According to the Union Agreement of Gedeon Richter Plc. the retiring employee is entitled for the following additional benefit in case the employment contract ends with mutual agreement or regular dismissal:

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

THE VALUATION METHOD

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

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

Since it is first time application of IAS 19, the present value of past service costs at the opening day of 2007 is equal to the amount of non vested benefits. This is accounted in five years according to Richter Group Accounting Policy.

RESULTS

	HUF m
Opening value of estimated benefits	3,841
Out of these:	
Present value of estimated vested benefits before 2007	915
Present value of estimated vested benefits in 2007	66
Present value of estimated vested benefits after 2007	2,860
2007 interest expenses	13
Past service cost for the current year	31
Vested benefits obligation in 2007	11
Vested benefits obligation in the future	158
2007 pension costs	213

ASSOCIATED COMPANIES

Amongst the subsidiaries of the Richter Group, only GZF Polfa accounts pension related benefits as provision set forth in the articles of the Union Agreement. Expenses allocated to pension related provision amounted to HUF 621 million on 31 December 2007 when compared to the HUF 656 million on reported on 31 December 2006.

INVENTION FEES

Employees contributing to the development of a new product on their own initiative are entitled to a commission based on the future income generated by the given invention. It amounted HUF 253 million in 2007. Similar payments are expected in the coming years.

35. INSURANCE

The Group members consider that they have the adequate and appropriate coverage.

Gedeon Richter's insurance for product liability extends globally including the USA and Canada, and relates to all registered products manufactured and marketed by the Company.

The property and breakdown insurance policies provide satisfactory coverage for the Company's assets at replacement value as well as net profits lost due to any specific event and the overhead costs.

The general, environmental pollution and employer liability insurance cover potential damages caused to third parties or employees.

Due to the scale of the Gedeon Richter assets and revenues, it is of utmost importance for the Company to use large and financially stable global insurance companies that co-operate with leading re-insurers.

36. REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

	Allowance			
	2007		2006	
	Treasury shares number	HUF m	Treasury shares number	HUF m
Board of Directors	-	63	-	53
Supervisory Board	-	34	-	32
Total	-	97	-	85

37. EVENTS AFTER THE DATE OF THE BALANCE SHEET

There were no events after balance sheet date which would influence the faithful presentation of the Group financial statements.

CONSOLIDATED FINANCIAL RECORD 2003-2007

INCOME STATEMENT (HUF M)	2003	2004	2005	2006	2007
for the years ended 31 December					
Total sales	145,916	149,342	172,597	209,373	224,076
Cost of sales	(67,315)	(71,096)	(75,573)	(89,704)	(104,379)
Gross profit	78,601	78,246	97,024	119,669	119,697
Operating expenses and other income and expenses	(46,324)	(41,434)	(57,433)	(70,142)	(83,414)
Operating profit	32,277	36,812	39,591	49,527	36,283
Profit from associated company	-	503	848	863	735
Net financial income	3,385	2,621	5,747	1,723	(1,238)
Profit before taxation	35,662	39,936	46,186	52,113	35,780
Income and deferred tax	(2,907)	107	(543)	(711)	(779)
Solidarity tax	-	-	-	-	(1,030)
Profit after taxation	32,755	40,043	45,643	51,402	33,971
Minority interest	962	(198)	(330)	(124)	(635)
Net profit for the year	33,717	39,845	45,313	51,278	33,336
SHARE STATISTICS (HUF)					
Earnings per share	1,809	2,138	2,431	2,751	1,789
Dividends per ordinary share	440	500	600	690	450

INCOME STATEMENT (US\$ M)	2003	2004	2005	2006	2007
for the years ended 31 December					
Total sales	651.4	735.7	864.3	997.0	1,223.1
Cost of sales	(300.5)	(350.2)	(378.4)	(427.1)	(569.7)
Gross profit	350.9	385.5	485.9	569.9	653.4
Operating expenses and other income and expenses	(206.8)	(204.2)	(287.6)	(334.0)	(455.3)
Operating profit	144.1	181.3	198.3	235.9	198.1
Profit from associated company	-	2.5	4.2	4.1	4.0
Net financial income	15.1	12.9	28.8	8.2	(6.8)
Profit before taxation	159.2	196.7	231.3	248.2	195.3
Income and deferred tax	(13.0)	0.6	(2.7)	(3.4)	(4.3)
Solidarity tax	-	-	-	-	(5.6)
Profit after taxation	146.2	197.3	228.6	244.8	185.4
Minority interest	4.3	(1.0)	(1.7)	(0.6)	(3.4)
Net profit for the year	150.5	196.3	226.9	244.2	182.0
SHARE STATISTICS (US\$)					
Earnings per share	8.08	10.53	12.17	13.10	9.76
Dividends per ordinary share	1.96	2.46	3.00	3.29	2.46

Notes: • Figures for 2002 have been restated.

- EPS calculations based on the total number of shares issued, diluted excluding exceptional and non-recurring items.
- 2007 dividends per ordinary share of HUF 450 are as recommended by the Board of Directors.
- This Financial Record is not part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
- According to our present information the acquisition of Polpharma does not have a significant impact on the diluted EPS.

BALANCE SHEET (HUF M)	2003	2004	2005	2006	2007
as at 31 December					
Non-current assets	103,853	122,582	140,117	160,677	175,487
Net other assets and liabilities	77,912	91,516	113,383	135,736	140,606
Non-current liabilities	(59)	(35)	(474)	(2,485)	(1,712)
Minority interest	(4,200)	(4,898)	(6,486)	(5,813)	(8,198)
Total net assets	177,506	209,165	246,540	288,115	306,183
Share capital	18,638	18,638	18,638	18,638	18,638
Reserves	159,385	191,227	228,047	270,015	289,263
Treasury shares	(517)	(700)	(145)	(538)	(1,718)
Shareholders' equity	177,506	209,165	246,540	288,115	306,183
Total assets and shareholders' equity and liabilities	199,575	234,932	277,580	325,784	347,963
CAPITAL EXPENDITURE	21,948	26,812	29,841	32,351	23,197
BALANCE SHEET (US\$ M)	2003	2004	2005	2006	2007
as at 31 December					
Non-current assets	499.6	679.9	655.0	840.8	1,016.7
Net other assets and liabilities	374.7	507.6	530.1	710.3	814.6
Non-current liabilities	(0.3)	(0.2)	(2.2)	(13.0)	(9.9)
Minority interest	(20.2)	(27.2)	(30.3)	(30.4)	(47.5)
Total net assets	853.8	1,160.1	1,152.6	1,507.7	1,773.9
Share capital	89.6	103.4	87.1	97.5	108.0
Reserves	766.7	1,060.6	1,066.2	1,413.0	1,675.9
Treasury shares	(2.5)	(3.9)	(0.7)	(2.8)	(10.0)
Shareholders' equity	853.8	1,160.1	1,152.6	1,507.7	1,773.9
Total assets and shareholders' equity and liabilities	960.0	1,303.0	1,297.7	1,704.8	2,016.0
CAPITAL EXPENDITURE	98.0	132.1	149.4	154.1	126.6

Note: This Financial Record is not part of the audited Consolidated Financial Statements prepared in accordance with IFRS.

Throughout this Annual Report, certain Hungarian forint amounts have been converted into US dollars for indicative purposes only. Expenditure and income amounts incurred during a period have been converted at an average rate calculated by the Company. Balance sheet figures for the end of the period have been translated at the year-end exchange rates.

EXCHANGE RATES (US\$ / HUF)	2003	2004	2005	2006	2007
Average	224.0	203.0	199.7	210.0	183.2
End of year	207.9	180.3	213.9	191.1	172.6
NUMBER OF EMPLOYEES	2003	2004	2005	2006	2007
End of year	7,328	7,260	8,078	8,526	9,528

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