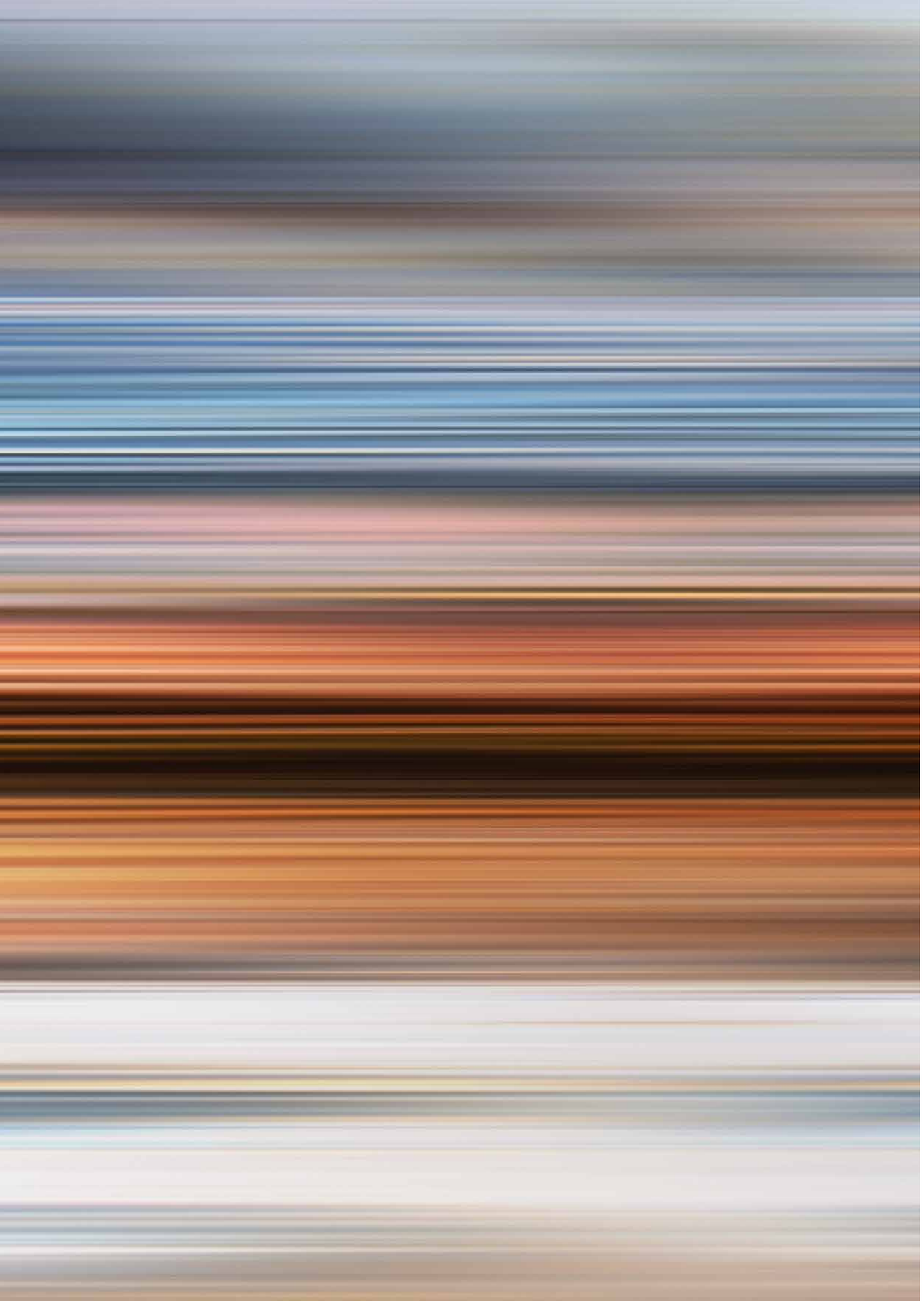
Gedeon Richter
Annual Report
2013



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I. Richter – Corporate Review

1. Fact Sheet

Richter Group is active in two major business segments, primarily Pharmaceuticals comprising the research and development, manufacturing, sales and marketing of pharmaceutical products, and it is also engaged in the Wholesale and Retail of these products. In addition, there is a third group ('Other') of companies comprising those members of the Group which provide auxiliary services to the former segments.

Research, development, manufacturing and marketing of pharmaceutical products are the core activities of Richter and in this endeavour the Group is supported by a number of subsidiaries, joint ventures and associated companies. Manufacturing subsidiaries of the Group which operate in traditional markets together with a broad network of trading affiliates which ensure a strong market presence have together created the foundation for regional leadership and a pan-European presence in the specialty area of Gynaecology.

Parent Company Data

Headquarters	1103 Budapest, Gyömrői út 19-21., Hungary	
Mail address	1475 Budapest, Pf. 27., Hungary	
Phone	+36 1431 4000	
Fax	+36 1260 4891	
E-mail	posta@richter.hu	
Website	www.richter.hu	
Established	1901	
Main activity	Research, development, manufacturing and marketing of pharmaceutical products	
VAT Number	10484878-2-44 HU 10484878	
Share capital	HUF 18,637,486,000	
Number of shares issued	186,374,860	
Auditor	PricewaterhouseCoopers Auditing Ltd.	
Shares listed at	Budapest Stock Exchange	ISIN: HU0000123096
	Luxembourg Stock Exchange	ISIN: US3684672054
GDRs	issued by BNY Mellon GDR / Ordinary share ratio = 1:1	

Investor Relations Department

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Mail address	1475 Budapest, Pf. 10., Hungary
Phone	+36 1431 5764
Fax	+36 1261 2158
E-mail	investor.relations@richter.hu
Website	www.richter.hu

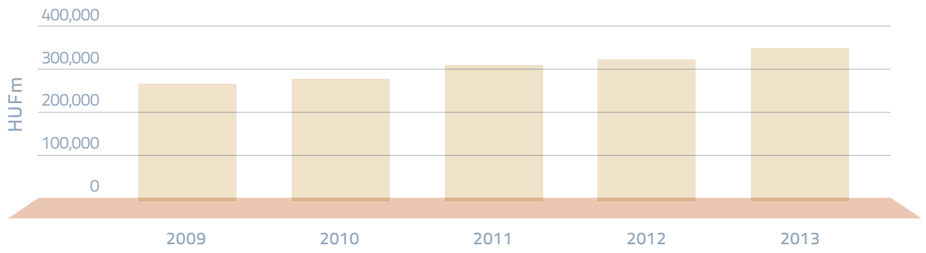
2. Financial Highlights

Consolidated financial highlights

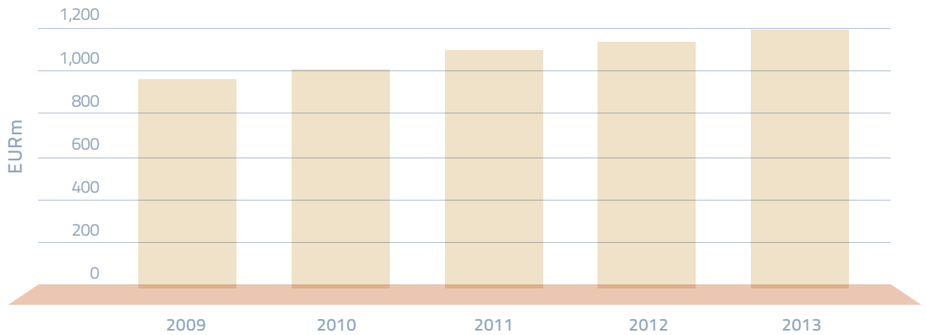
	2013 HUFm	2012[4] HUFm	Change %	2013 EURm	2012 [4] EURm	Change %
Total revenues	351,424	326,702	7.6	1,184.0	1,130.1	4.8
Profit from operations	45,569	48,696	-6.4	153.5	168.4	-8.8
Profit for the year	42,431	49,055	-13.5	143.0	169.7	-15.7
	2013 HUF	**2012 HUF**	**Change %**	**2013 EUR**	**2012 EUR**	**Change %**
Earnings per share (EPS) [1][2]	229	264	-13.1	0.77	0.91	-15.4
Dividends per ordinary shares [2] [3]	57	66	-13.6	0.19	0.23	-17.4

Notes: [1] Earnings per share calculations were based on the total number of shares issued.
[2] Restated in order to reflect the impact of the share split realized in July 2013.
[3] The amount of 2013 dividend per ordinary share is HUF 57 as proposed by the Board of Directors.
[4] Restated to comply with changes to IAS 19.

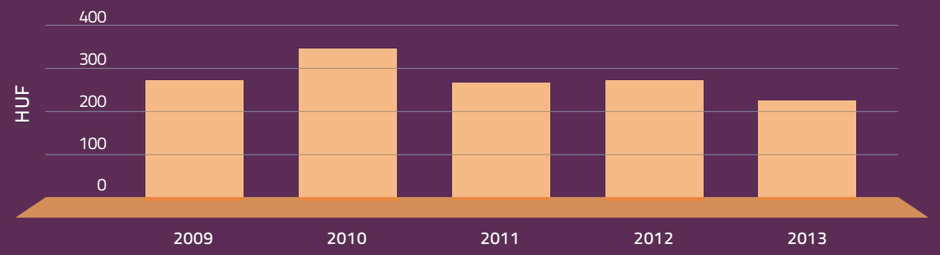
Revenues



Revenues



Earnigs per share [1][2]



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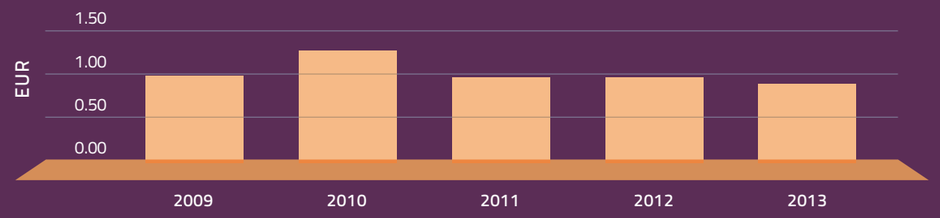
Earnigs per share [1][2]



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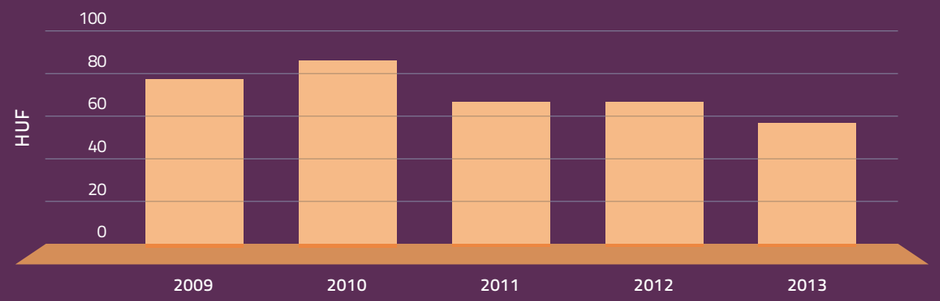
Dividends per ordinary share [1][2]



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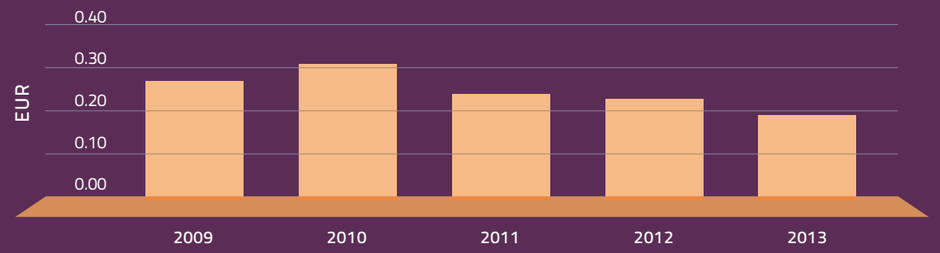
Dividends per ordinary share*



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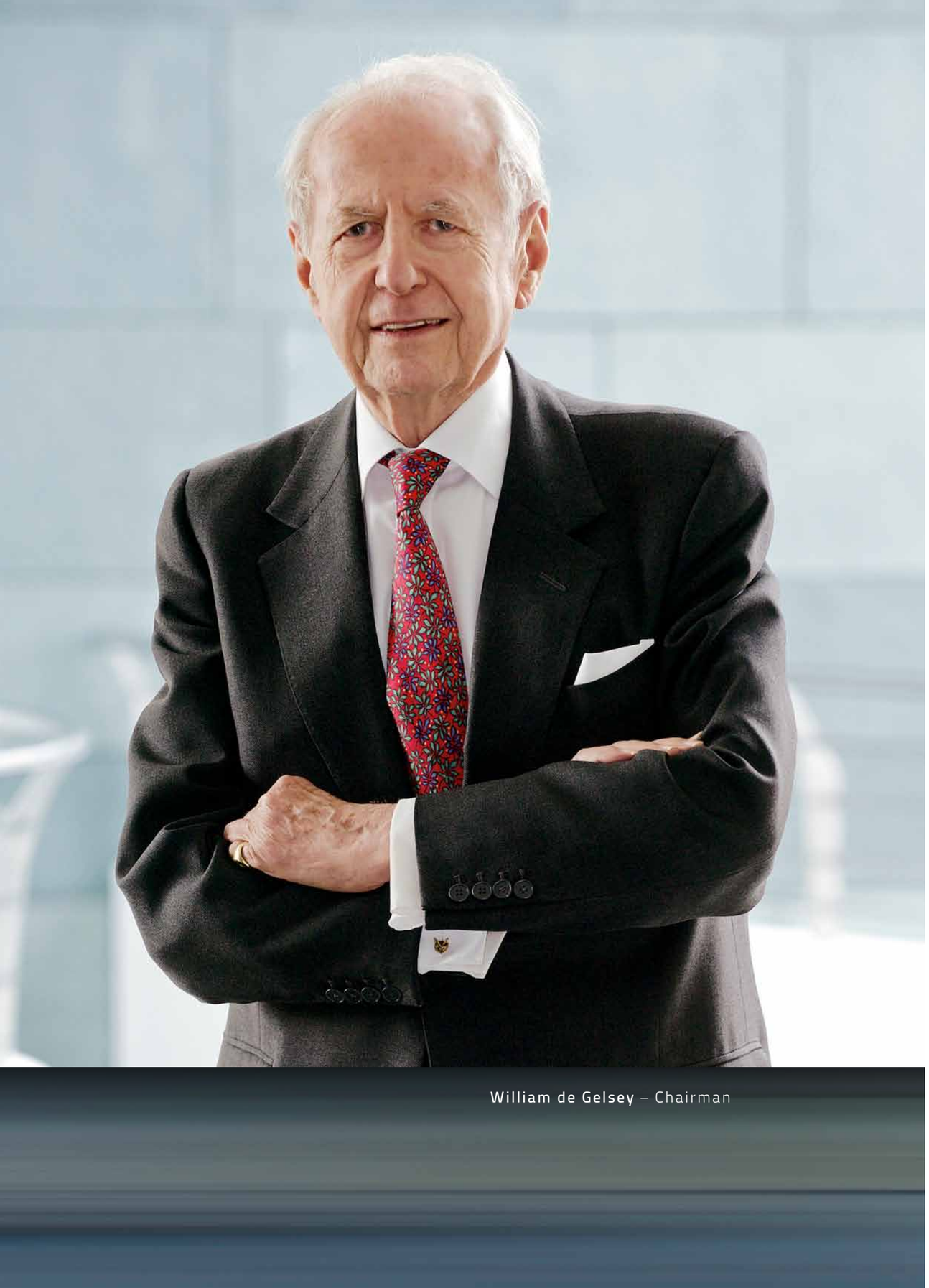


William de Gelsey – Chairman

3. Chairman's Letter to the Shareholders

It gives me much pleasure to present our Annual Report for 2013. I believe Richter's results were satisfactory considering the increasing challenges of costs and competitive environment. I wish to emphasise that we are making changes to our business model from a branded generic to a specialty pharma company. During this transitional period the majority of the Company's turnover remains in traditional generic products. The innovative and specialty pharma will positively contribute to the results in the near future.

The US Food and Drug Administration issued in November 2013 a so called 'Complete Response Letter' in respect of the registration of Cariprazine. The FDA acknowledged the efficacy of the product, yet it required further information to support the decision making process. To assist clarification of pending questions a personal meeting with our partner's representatives is scheduled by the FDA which however has not taken place before the publication date of the Annual Report.

Female Healthcare is an important area of the Company's strategy which showed encouraging results in the year under review. ESMYA®, our original product for the treatment of uterine fibroids was introduced in most of the European countries, in the CIS region and also in Canada.

In line with our strategy aiming to balance the geographical scope of our business, Richter established its direct presence in Latin America and initiated the acquisition of majority stakes of local partners in Brazil and in Mexico. We plan further expansion in Latin America, which would lead Richter to become a worldwide quoted specialty pharmaceutical company in Female Healthcare.

In order to provide a broader distribution possibility, a successful share split in the proportion 1:10 took place in July 2013. Further the Hungarian National Asset Management Inc. (MNV Zrt.), the largest shareholder of the Company, decided to redeem their exchangeable bonds secured by their 25.25 percent stake in Richter in November 2013 one year before its expiry date and to refinance them through a more favourable financial construction for another five years.

In summary, while our operating environment remains challenging, it is also not without opportunity for companies that deliver innovation and act with responsibility. The Board continues to have full confidence in Mr Erik Bogsch, the Managing Director, and his senior management team, and the Group is taking the necessary steps to build a strong Richter that will generate sustainable value for the shareholders.

William de Gelsey KCSG
Chairman

4. Investor Information

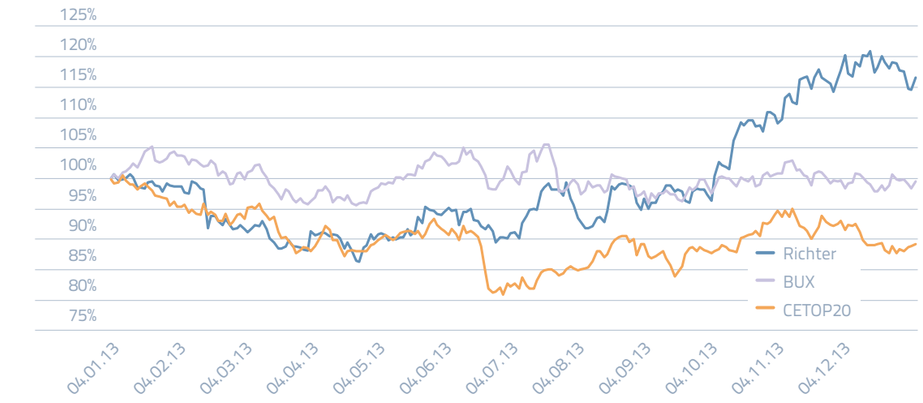
a) Share Price and Market Capitalisation

Richter share price on 2 January 2013 was HUF 3,678*. Following a short period of relatively stable development the share price declined by approximately 12 percent to HUF 3,252* which marked the 52 week low. Beginning from late April steady growth characterized the development of the share price with a notable increase recorded from July, following the share split implemented in that month. The inclusion of Richter shares in the MSCI index with effect from 1 December 2013 did not materially impact the share price, but it resulted once again in significant trading volumes with the number of traded shares on 26 November 2013 totalling 10.9 million, representing 5.8 percent of total shares outstanding. Richter shares traded at HUF 4,399 on 30 December 2013.

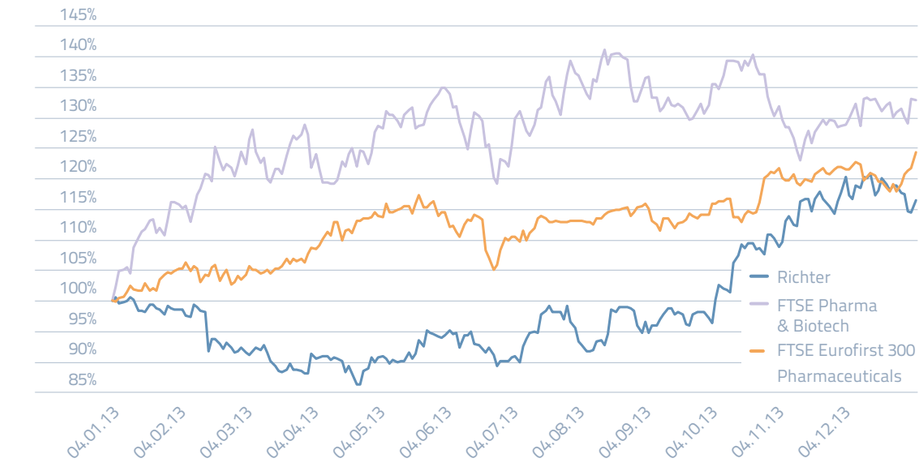
The company's market capitalisation followed the performance of its share price on the Budapest Stock Exchange and by the end of 2013 at HUF 820 billion reflected a 21.5 percent increase, in HUF terms when compared to its value recorded on 31 December 2012. Market capitalisation on 31 December 2013 in EUR terms was EUR 2.8 billion, 21.7 percent above the EUR 2.3 billion amount recorded on 31 December 2012.

* Note: Share prices have been adjusted for the dates preceding 16 July 2013 in order to retrospectively reflect the effects of the 1:10 share split implemented with effect from that date.

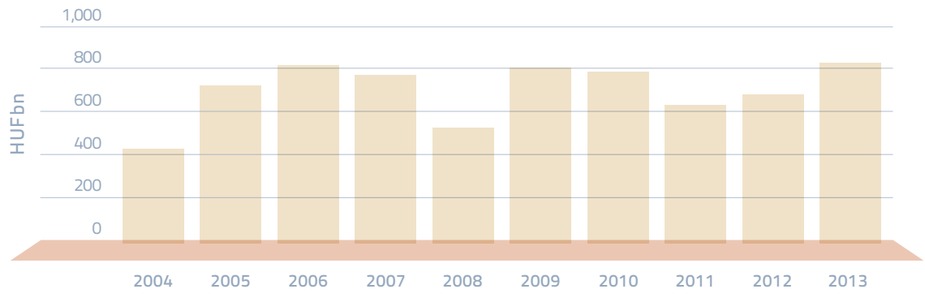
Gedeon Richter share price on the Budapest Stock Exchange compared to BUX and CETOP20 indices



Gedeon Richter share price on the Budapest Stock Exchange compared to FTSE All World Pharma & Biotech and FTSE Eurofirst 300 indices

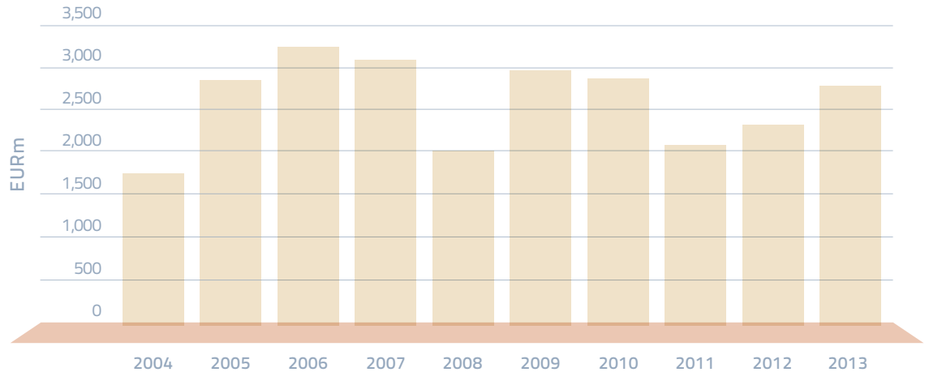


Market Capitalisation*



Note: * All data based on year-end prices. Calculations based on the total number of shares in issue. Euro calculations adjusted with HUF/EUR exchange rate.

Market Capitalisation*



Note: * All data based on year-end prices. Calculations based on the total number of shares in issue. Euro calculations adjusted with HUF/EUR exchange rate.

b) 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 on 24 April 2014 at Budapest 1143, Stefánia út 34.

c) Dividend

In accordance with the dividend policy practised by the Company, the Board of Directors recommends the payment of 25 percent of Gedeon Richter Plc.'s net profit calculated according to International Financial Reporting Standards (IFRS) for 2013.

Dividends approved by the shareholders of Gedeon Richter Plc. at the Annual General Meeting held on 25 April 2013 totalled HUF 12,271 million (EUR 41.4 million) in respect of 2012. The portion payable in relation to ordinary shares amounted to HUF 66* per share, 66 percent of the nominal share value. The record dates for these dividend payments were announced on 17 May 2013 with payments having commenced on 17 June 2013.

Note: * Restated in oder to reflect the impact of the share split realized in July 2013.

d) Investor Relations Activities

The Company reports formally to shareholders four times a year, simultaneously with the announcement of its quarterly non-audited results and publishes its Annual Report including audited financial statements no later than 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 30 days 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 to respond to questions.

Management, principally the Managing Director and investor relations staff, maintain a dialogue with institutional shareholders on Company performance and objectives through a programme of conferences, regular meetings, conference calls and investor roadshows. Representatives of the IR Department of Gedeon Richter Plc. participated at 3 international conferences and 4 additional investor roadshows in 2013. Richter's management also held 26 meetings for approximately 57 fund managers and analysts at its headquarters where the Company's business progress and financial results were presented. Regular conference calls were organised during the year, following publication of the quarterly reports of the Company.

Conferences in 2013			
Concorde	'One on One Conference'	Budapest	3 April, 2013
BAML	'Global Healthcare Conference'	London	11-12 September, 2013
Erste	'Investor Conference'	Stegersbach	7-9 October, 2013

Investor roadshows in 2013	
London	11-12 Febuary, 2013
New York, Boston	22-23 May, 2013
London	10 September, 2013
Frankfurt	11 December, 2013

The Company's website (www.richter.hu) includes an area which is intended to meet the specific stated needs of investors, analysts and media concerning information on Richter's business operations.

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

e) Analysts Providing Coverage

Analysts providing regular coverage about the company during 2013	
Bank of America Merrill Lynch	Mr Jamie Clark
Barclays	Mr Simon Mather
Concorde	Mr Attila Vágó
Credit Suisse*	Mr Mark Wadley
Erste	Ms Vladimíra Urbánková
Goldman Sachs	Ms Yulia Gerasimova
Jefferies	Mr James Vane-Tempest
KBC*	Mr Gergely Pálffy
Raiffeisen	Mr Daniel Damaska
Renaissance Capital*	Ms Natasha Zagvozdina, Ms Ulyana Lenvalskaya
UBS Warburg	Mr Guillaume van Renterghem
UniCredit	Mr Przemyslaw Sawala-Uryasz
Wood	Mr Bram Buring

Note: *Discontinued coverage during 2013.

f) Information Regarding Richter Shares

Shares In Issue

The total number of shares in issue as at 31 December 2013 – 186,374,860 – remained unchanged from the levels reported as at 31 December 2012. The number of shares in issue has been adjusted for the dates preceding 16 July 2013 in order to retrospectively reflect the effects of the split.

Treasury Shares

Shares held by the Company in Treasury	31 December, 2013	31 December, 2012*
Number	61,278	453,360
Nominal value (HUF '00)	61,278	453,360
Book value (HUF '000)	275,924	1,670,893

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

The number of shares held by the Parent company in Treasury decreased during 2013.

The Company purchased 450,000 treasury shares on the Budapest Stock Exchange during 2013 in addition to a further 442,560 shares on the OTC market.

Based on a decision of the Board of Directors of Gedeon Richter Plc., 882,646 shares held by the Company in Treasury were granted as bonuses during 2013 to qualified employees participating in the bonus share programme as well as to members of staff rendering outstanding performance.

In accordance with a repurchase obligation stipulated in the programme approved by the Ministry of Finance related to employee share bonuses, the Company repurchased 13,181 shares from employees who resigned from the Parent company during 2013.

In line with a programme approved by the National Tax and Customs Authority (NAV) in respect of the years 2012-2014 related to employee share bonuses, on 17 December 2013 the Company granted a total of 415,177 shares in respect of 4,927 of its employees for 2013. The value of these shares amounted to HUF 1,857 million. These shares will be deposited at the employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 2 January 2016.

On 2 January 2014, following the expiry of the lock-up period the Company was able to remove all restrictions on 489,300* Richter ordinary shares granted to its employees on 19 December 2011 during the last year of a three-year programme approved by the Ministry of Finance in respect of years 2009-2011, thereby enabling these shares to be traded.

Note: * Restated in oder to reflect the impact of the share split realized in July 2013.

The total number of Company shares at Group level held in Treasury at 31 December 2013 was 166,778.

On 31 December 2013 the Group's subsidiaries held a total of 105,500 ordinary Richter shares, unchanged from their holding on 31 December 2012.

Registered Shareholders

The shares held by the Hungarian State Holding Company (MNV Zrt.) remained at 25 percent, a level similar to that of 31 December 2012. The proportion held by domestic investors decreased slightly to approximately 6 percent while that of international investors increased to approximately 69 percent. The proportion of treasury shares was 0.0 percent at the end of December 2013.

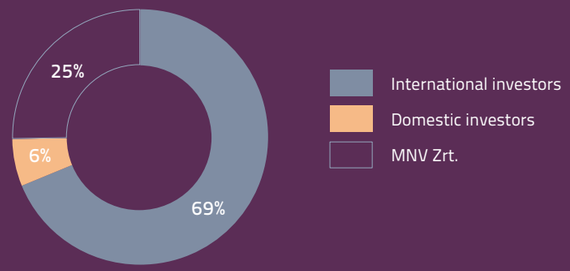
Data in the table below was compiled based on the share registry adjusted for information provided by KELER Zrt. as clearing company, global custodians and nominees.

Ownership structure on 31 December 2013 [1]

Ownership	Ordinary shares Number	Voting rights %	Share capital %
Domestic ownership	**58,018,177**	**31.16**	**31.13**
MNV Zrt. (Hungarian State Holding Company)	47,051,548	25.27	25.25
Municipality	1,164	0.00	0,00
Institutional investors	4,679,654	2.51	2.51
Retail investors	6,285,811	3.38	3.37
International ownership	**128,161,933**	**68.83**	**68.77**
Institutional investors	127,526,848	68.49	68.43
out of which Aberdeen Asset Management Plc.	37,179,620	19.97	19.95
out of which Skagen Kon-Tiki Verdipapirfond	10,116,722	5.43	5.43
Retail investors	635,085	0.34	0.34
Treasury shares[2]	**166,778**	**0.00**	**0.09**
Undisclosed ownership	**27,972**	**0.01**	**0.01**
Share capital	**186,374,860**	**100.00**	**100.00**

Notes: [1] Restated in order to reflect the impact of the share split realized in July 2013.
[2] Treasury shares include the combined ownership of the parent company and subsidiaries.

Detailed ownership structure as of 31 December 2013



Ordinary shareholdings by the members of the Company's Boards

	31 December 2013 Number of ordinary shares	31 December 2012* Number of ordinary shares
Board of Directors	71,362	61,530
Supervisory Committee	7,460	5,350
Executive Board	93,003	103,430
Total	171,825	170,310

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

Membership of the Company's Boards is shown on pages 17-19 of the Annual Report.

5. Corporate Governance

Corporate Governance principles and practice implemented by the Company are in accordance both with the guidelines set by the Budapest Stock Exchange and the directives of the capital market.

Gedeon Richter's key principles of Corporate Governance are to create and maintain satisfactory dialogue with shareholders so as to enhance shareholder value, to differentiate the roles and responsibilities of the Board of Directors, the Executive Board and the Supervisory Board, and to operate the Group's business in compliance with legal and regulatory requirements and to maintain the highest ethical standards.

The Annual General Meeting ranks as the highest decision making body of the Company, and comprises all shareholders. The Annual General Meeting decides on the adoption of the annual financial statements and the appropriation of profit, the election or removal of members of the Board of Directors, Supervisory Board and Audit Board, the appointment of auditor, amendments to the Statutes, changes in the Company's share capital and other issues in its competence. With the exception of cases where the presence of a larger number of shareholders is required in order to constitute a quorum, a quorum of the General Meeting exists if shareholders, personally or through their representatives, representing over half of the votes embodied by voting shares are present at the General Meeting and have duly evidenced their shareholder representative status. If the General Meeting has no quorum, the General Meeting is required to be reconvened. With the exception of cases where under given circumstances the presence of a larger number of shareholders is required in order to constitute a quorum, the reconvened General Meeting shall have a quorum for the purpose of considering items on the agenda of the original General Meeting if shareholders representing more than 20 percent of the votes relating to the voting shares issued by the Company are present personally or via proxy at the reconvened General Meeting and their shareholding or representation right has been duly evidenced.

The Board of Directors is the ultimate decision-making body of the Company except with respect to those matters reserved for shareholders. A majority of Directors of the Board are Non-Executive Directors. All the non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The offices of Managing Director and Chairman are held separately. The latter is elected amongst the non-executive directors. The Board meets regularly, once a month, throughout the year. According to the Statutes, it has a formal schedule of matters reserved to it for decisions. The Board works to an agreed agenda in reviewing the key activities of the business and the Company's long-term strategy. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected and re-elected at the AGM for a maximum term of 5 years. Two subcommittees of the Board exist which prepare and submit proposals contributing to the Board's decision making process. The subcommittees each consist of at least three non-executive independent Board directors.

The Corporate Governance and Nomination Subcommittee is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. This responsibility includes establishing the criteria for Board membership; conducting appropriate inquiries into the background and qualifications of possible candidates; considering matters of Corporate Governance and reviewing periodically our Corporate Governance Principles.
The Compensation Subcommittee is responsible for establishing annual and long-term performance goals and objectives for elected officers. This responsibility includes making recommendations to the Board of Directors with respect to cash-based incentive compensation plans and equity-based compensation plans; and preparing proposals for the compensation of the Managing Director.

The Executive Board is responsible for the executive management of the Company's business. The Executive Board is chaired by the Managing Director. In order to maintain a sharp focus on strategic management the board comprises only the Executive Directors.
Overseeing the management of the Company is the Supervisory Board. It meets every month during the year in accordance with legal requirements and at other times when necessary to consider details of the Company's operating activities. It submits proposals to the Board of Directors and discusses the Company's strategy, financial results, investment policy and systems of internal audit and control. The Supervisory Board is provided with regular and detailed information about the management of the Company. The Chairman of the Supervisory Board may attend meetings of the Board of Directors as an advisor. The members of the Supervisory Board are elected or re-elected at the AGM for a maximum term of 3 years.
The Audit Board is responsible for the oversight of the Company's internal accounting standards. The Board consists of three independent members of the Supervisory Board who are elected by the AGM.

6. Company's Boards


Erik Bogsch


Dr. Gábor Gulácsi


Lajos Kovács


Sándor Kováts


Dr. György Thaler


András Radó


Dr. Zsolt Szombathelyi

Board of Directors

Mr William de Gelsey (1921)

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

Mr Erik Bogsch (1947)

Appointed Managing Director in 1992. Chemical engineer, qualified economic engineer. With Richter since 1970, initially 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 2006.

Dr Gábor Gulácsi (1958)

Appointed Deputy Managing Director upon joining the Company in 2000. Responsible for Finance. Economist, University doctorate in Economic Sciences. Previously General Secretary of State, Ministry of Economic Affairs. Joined the Board in 2010.

Mr Gergely Horváth (1961)

Managing Director of Hungarian State Holding Company between 2010 and end of 2012. Graduated from Budapest University of Technology, then studied for a degree in engineering economics as well as an MBA. Has held a number of significant management positions, mostly in banking. CEO of KELER Zrt. for six years. Joined the Board in 2011.

Dr László Kovács (1944)

Strategic adviser to 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.

Mr Csaba Lantos (1962)

Economist and sociologist. From 2000 to 2007 deputy CEO and member of the Board of Directors of OTP Bank Nyrt. Chairman of the Board of Directors of KELER Zrt since 1993, and from 2005 to May 2011 chairman of the Supervisory Committee of Budapest Stock Exchange. From December 2009, chairman of the Board of MOL Energy Trade Ltd. Joined the Board of Richter in 2010.

Mr Christopher William Long (1938)
Career diplomat. Experienced 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 between 2004 and 2011. 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. Assistant at the Postgraduate Medical School between 1966-1970. Member of Parliament from 1990 to 1994. Currently practising as a physician, head of department with Gyógyír XI. Public Company responsible for medical services in district XI of Budapest. Has been a member of the Board since 1992.

Dr Csaba Polacsek (1967)
Economist, PhD in Economics. Chartered accountant registered in Hungary and the US. Worked for Deloitte & Touche between 1991 and 1997, then employed by the Creditanstalt/Unicredit Group for almost 10 years. From 2007 to 2009 regional director for Southern Europe at Arcadom Zrt. Managing Director of FHB Mortgage Bank Plc. between 2009 and 2010. Since 2010 Deputy CEO of Hungarian National Asset Management Inc., responsible for corporate portfolio. Joined the Board of Richter in 2013.

Prof Dr Szilveszter E. Vizi (1936)
Medical doctor, academician. Graduated from Semmelweis University of Medicine. From 1989 to 2002 Director of the Institute of Experimental Medicine (IEM) of the Hungarian Academy of Sciences. President of the Hungarian Academy of Sciences between 2002 and 2008. Currently a researcher at the IEM. Joined the Board in 2008.

Executive Board

Mr Erik Bogsch (1947)
Appointed Managing Director in 1992. Chemical engineer, qualified economic engineer. With Richter since 1970, initially 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 2006.

Dr Gábor Gulácsi (1958)
Appointed Deputy Managing Director upon joining the Company in 2000. Responsible for Finance. Economist, University doctorate in Economic Sciences. Previously General Secretary of State, Ministry of Economic Affairs.

Mr Lajos Kovács (1960)
Appointed Director in 2005. Responsible for Technical services. Chemical engineer, with postgraduate degree in pharmaceutical research. With Richter since 1984 in a number of different roles. Research fellow at the University of Liverpool (UK) between 1987 and 1989.

Mr Sándor Kováts (1960)
Appointed Director in 2006. Responsible for Commercial Operations. Chemical engineer specialised in refined chemistry. Joined Richter in 1984 and has held a number of management positions including Director responsible for Technical Services at Gedeon Richter USA Inc. during 2001-2002.

Mr 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 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 Board

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 Board since 2000. Member, Chairman of Audit Board.

Dr Jonathán Róbert Bedros (1961)
Physician, health economist, honorary associate professor. Graduate of Semmelweis Medical University. Head physician and general director of the Ministry of Interior's Central Hospital and Institutions from 1999 to 2005, and of Pest County Flór Ferenc Hospital from 2006 to 2011. Currently head physician and general director of Szent Imre Hospital. Joined the Board in 2012. Member of the Audit Board.

Mr Jenő Fodor (1958)
Employee representative. MA in Chemical-mechanics. With Richter since 1984, Head of Investment at Dorog Site. Joined the Board in 2006.

Mrs Tamásné Méhész (1948)
Chartered accountant, qualified tax expert. Also a certified public accountant. Managing director and owner of S&M Economix Ltd. Registered auditor of various companies. Joined the Board in 2012. Member of the Audit Board.

Mr 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). Joined the Board in 1990.

Changes to Boards during 2013

At the Annual General Meeting on 25 April 2013, the following were reappointed to the Board of Directors for a 3 year period until the 2016 AGM:
Mr Christopher William Long
Dr Gábor Gulácsi
Mr Csaba Lantos

Dr Csaba Polacsek was appointed to the Board of Directors for a 3 year period until the 2016 AGM.

Dr Jenő Koltay retired from the Board of Directors on 25 April 2013.

7. Risk Management

Gedeon Richter Plc. is committed to creating long-term value for its customers, shareholders, employees and society at large. To achieve its corporate goals, the Company recognizes that risks are an integral part of its business and can feature opportunities, as well as threats and losses.

The effective management of risks plays an important role in the continued growth and success of Richter. The objective of risk management at Richter is not to eliminate risks, but rather to manage them in a way so as to provide that they remain within the predefined limits necessary for the Company to achieve its business objectives. Risk management at Richter is therefore about finding the right balance between risks and opportunities. By understanding and managing risk we endeavour to provide greater certainty for our shareholders, our employees, our customers and suppliers, and the communities in which we operate.

Richter views risk management as one of the tools for effective Corporate Governance. Our approach is to ensure that risks are identified in a timely manner, adequately understood, properly assessed and efficiently responded to by the Company.

Our risk management approach involves the following aspects:

- A risk management process that provides insight to the risks that the company faces;
- A common risk language encompassing strategic, operational, compliance and financial risks to facilitate communications and decision-taking on risks;
- Respect of risk attitude;
- Periodic management review process to update the risk profile and monitor the effectiveness of risk management and internal controls;
- Accountability and governance structure in relation to risk management.

As part of a company-level risk assessment, relevant strategic, operational, compliance and financial risks have been identified, and evaluated by the management of the Company. The following risks proved to be the most typical in each category during the assessment.

1. Strategic risks

	Description	Key risk management methods
Healthcare Budget	The potential impact on the Company of changes and monetary restrictions in healthcare budget and regulation (price reductions, restrictions on reimbursement system, extraordinary taxes)	▪ Regular analysis of market environment, monitoring changes in the legal and medical subsidy system ▪ Communication with authorities ▪ Adaptation in cost management
Competition and Pricing	The impact on the Company's market position and results of increasing generic competition and the decreasing prices in the competitive market	▪ Identifying competitive advantages ▪ Focusing on new original and value added products ▪ Introducing new generic products ▪ Regularly performed competitor-, industry- and effectiveness analysis
Macroeconomic Factors	The risk of changes in macroeconomic factors affecting the Company's markets, and especially the impacts on the solvency	▪ Monitoring changes in major macroeconomic factors, incorporating their effects into the planning ▪ Adaptation in cost management and client relationship

2. Operational risks

	Description	Key risk management methods
Original and Biosimilar R&D	The risk relating to the success of original and biosimilar research activities	▪ To focus the original R&D activity on the CNS and Gynaecological field ▪ To set up the milestones regarding the original and biosimilar R&D activity ▪ Assessment of programs and decision-making within the Research Council
Specialised Sales Force in Western Europe	The risk relating to the setup of a Western European sales force specialised in the promotion and marketing of our gynaecological products	▪ Company level projects for the promotion of the new gynaecological portfolio and the launch of ESMYA® ▪ Creation of a new unit for the management of the sales force
Qualified Workforce	The risk relating to retention of employees in key positions and ensuring a qualified workforce	▪ Periodic revision of HR strategy ▪ Training plans, carrier and succession programs ▪ Incentive and performance assessment system

3. Compliance risks

	Description	Key risk management methods
Health Authority Regulations, Quality Requirements, Quality Assurance	The risk of compliance with Authority's regulations	▪ Implementing Quality systems and Standard Operational Processes (SOP) ▪ Monitoring the compliance with health authority regulations
Intellectual Property, Patents and Litigations	The risk relating to patents and patent rights	▪ Continuous assessment and monitoring of intellectual property and patents ▪ Enforcement of patent rights ▪ Risk minimising agreements
Contracts and Liabilities	The risk relating to managing contractual liabilities and enforcing contractual terms	▪ Centralised contracting processes ▪ Special treatment of unique contracts

4. Financial risks

	Description	Key risk management methods
Credit and Collections	The risk relating to cash and receivable collection procedures	▪ Customer rating ▪ Establishing payment terms and credit limits ▪ Regular review of receivables ▪ Insurance on buyer's credits of CIS countries at MEHIB
Foreign Exchange Rate	Unfavorable changes in the exchange rate of the Company's key foreign currencies	▪ Monitoring annual open FX positions and featured / key FX spot rates ▪ Securing FX conversion rates by financial transactions
Capital Structure and Cash Management	The risk relating to the effective management of the Company's cash demands and cash assets	▪ Developing and monitoring cash flow plans ▪ Opening a credit line in order to improve the financing capabilities ▪ To regulate the financial investments in order to handle the investment risk

8. Litigation Proceedings

No litigation proceedings materially impacted the business of Gedeon Richter Plc. during 2013.

Erik Bogsch – Managing Director

II. Managing Director's Review

In the face of sustained pressure on the business, 2013 was a year in which Richter made further progress in executing its strategic initiatives.

Our Group reported HUF 351,424 million (EUR 1,184.0 million) consolidated sales in 2013, which represented 8 percent growth (5 percent in EUR terms), when compared with 2012. Profit after taxation decreased by 14 percent (by 16 percent in EUR terms) in 2013 to a total of HUF 42,431 million (EUR 143.0 million). In our core activity, the pharmaceutical business, the following results were recorded during 2013:

A good 6 percent sales increase in RUB terms was reported in Russia. During the year the increasing crude oil revenue created a predictable political and economic environment. In Ukraine a healthy 10 percent increase in US$ terms in our sales was recorded primarily related to efficient promotional activity. Despite strong competition and sustained pressure from governments which resulted in both price erosion and lower reimbursement levels in almost all EU countries our Group reported a moderate 2 percent sales growth in EUR terms compared to 2012. In the USA, a 11 percent revenue decrease in US$ terms was primarily due to an expected decline in the contribution from the profit sharing agreement related to drospirenone with Teva-Barr combined with erosion in sales of APIs. The pharmaceutical market conditions stabilized in Hungary in 2013. We reported a slight 2 percent growth in HUF terms on the Company's domestic market.

Substantial healthcare budget constraints were evident throughout the year with increasing pricing pressure on almost all of our markets in Europe. We continued to progress our medium to long term strategic objectives during 2013, namely to become a specialty pharma company and in turn to increase the proportion of high added value products within our Company's portfolio.

One of our key specialty areas is Female Healthcare, where we provide one of the widest range of products available to women of all age groups. Gynaecological products represented 34 percent of our total consolidated turnover in 2013.

In 2013 we completed the launch of ESMYA® practically in all EU member states. Our original product was also introduced in certain CIS countries and launched in Canada by our US based partner Actavis under the trade name FIBRISTAL®. (For the full list of countries please see table on page 29).

Following previous agreements established between the two companies in respect of marketing rights of ulipristal acetate, in June 2013 Richter and HRA Pharma have entered into a licensing agreement with respect to the territories of Latin America.

On 5 July 2013 Richter filed a label extension request to the European Medicines Agency (EMA) in respect of the ESMYA® 5 mg tablet requesting approval to extend pre-operative treatment of uterine myomas with moderate to severe symptoms from the currently authorised period of one cycle (3 months) to two cycles (2x3 months). Based on the positive opinion issued by the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted in November 2013, the European Commission approved on 24 January 2014 the Company's application to extend the use of ESMYA® 5 mg tablets (ulipristal acetate) to up to two courses of three-month treatment of uterine fibroids.

In order to expand the indication to meet the needs of a wider range of affected women Richter initiated Phase III clinical studies in the third quarter 2012 to establish the long term (on-off) usage of ESMYA® targeting a substantial recession of fibroid tumors and consequently making surgical interventions unnecessary. The studies are expected to be completed by the second quarter 2014.

ESMYA® reported total sales of EUR 16.3 million in 2013.

In order to balance our geographical exposure and become a global female healthcare player as a first step, during 2013 we established a direct presence in Latin America and initiated the acquisition of majority stakes of local partners in Brazil and in Mexico. The main profile of these companies is expected to be the registration of certain products belonging to the specialty franchise of Female Healthcare, including ESMYA® and the establishment of a related sales network.

Innovation is a key element in our strategy, as it ensures our Company's future in the long term. Therefore I personally pay particular attention to the environment in which our R&D team operates. I make every effort possible both to create an encouraging atmosphere and also to maintain strict scientific criteria in order to sustain projects with only the highest quality of science, which together enhances our chances of future success and productivity.

In November 2012 Forest Laboratoires, our US based partner, submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for cariprazine for both the treatment of acute exacerbation of schizophrenia and bipolar disorder. A year later Forest and Richter received a Complete Response Letter for cariprazine, in which the FDA acknowledged that cariprazine clearly demonstrated effectiveness in the treatment of schizophrenia and mania associated with bipolar disorder. However, the Agency indicated more information would be required. Forest and Richter continue to work closely with the Agency to clarify any questions and to determine the appropriate next steps. We remain committed to making cariprazine available to the millions of adults living with schizophrenia and bipolar I disorder as quickly as possible.

I am convinced that a pharmaceutical company, which aims to remain competitive over the long term, should create a portfolio containing high added value products. Exploration into new innovative areas, such as original research activity or biosimilar product development, carries high risks but provide opportunities for future relatively high revenue.

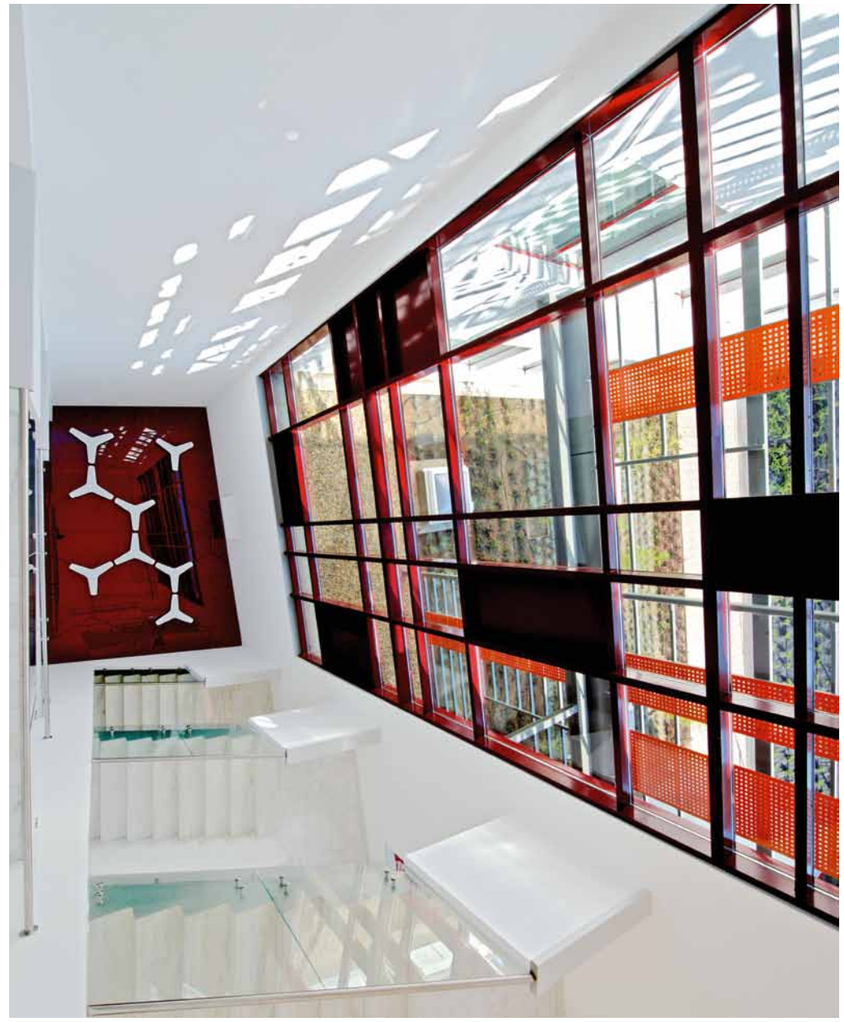
The significance of biotechnology products continues unabated in the global pharmaceutical market. Twenty-eight percent of the products given marketing authorisation between November 2010 and October 2011 in the USA and one-third of all the new drugs in the European Union are of biotechnological origin. Experts unanimously agree that the market share of biotechnology products will continue to grow in the future. While the small-molecule drug market is estimated to grow by 4 percent annually between now and 2015, the market for biotechnology products is expected to grow by more than 10 percent a year. The trend is further bolstered by the fact that approximately one-third of the current clinical development topics are of biotechnological origin. We expect to initiate our first biosimilar clinical trials during 2014.

On 15 November 2012 as a part of the regular semi-annual re-classification of MSCI Emerging Markets Index, the exclusion of Richter was announced. Such a measure was taken as a result of falling liquidity experienced in the 12 months preceding the announcement. The decision came into force with effect from 1 December 2012 resulted in much turbulence in the trading of Richter shares. A decline of 12.6 percent in the share price between 14 and 30 November 2012 and a historic record number of shares traded was set on the last trading day prior to the exclusion - more than 1.1 million shares were traded that day representing 5.9 percent of total shares outstanding. The re-inclusion to the MSCI Index became a paramount objective for the management as some of our long term investors use this Index as a benchmark. Management finally decided to take proactive actions in order to increase the liquidity of Richter shares traded on the Budapest Stock Exchange. The proposal for a stock spilt in the proportion 1:10 was approved first by the Board of Directors and also by the Annual General Meeting held on 25 April 2013 and became effective on 16 July 2013. I am pleased to report that finally on 7 November 2013 the re-inclusion of Richter to the MSCI Emerging Markets Index was announced, which was considered as welcome news by the investor community.

Finally I would like to inform you about recent developments in respect of State ownership in Richter. Exchangeable Bonds issued by the Hungarian State Holding Company were due to expire in September 2014 but the Government decided to refinance them under more favourable terms ahead of expiry. Proceeds from the new Bond offering totalled EUR 903.8 million and they were used to finance the repurchase of the existing Bonds. By retaining the shares, the Hungarian State indicated that it intends to ensure the continuation of Richter's current strategy, specifically the preservation of the independence of Richter and its vertically integrated business model.

We are in a transition period, changing our business model substantially, which will create opportunities for us to remain competitive in the long run. But it also triggers significant burdens and carries high risks, that is the significant increase in the level of operating expenses, primarily Sales and Marketing costs and Research and Development costs. We consider this trend to be short term sacrifice for medium-long term success, whereby our strategic projects really start to bear fruits and deliver growth both at the top and the bottom lines. I personally appreciate our shareholders patience and their trust which enables us to proceed on our way of executing our strategy.

In closing, on behalf of the entire management team I would like to thank to all our employees for their excellent work and their commitment to Richter. Without their dedication, motivation and ingenuity, Richter would not be the great company it is today. Overall, I am confident that our core focus on innovative product development, coupled with the changes we are making to our business model, are positioning the company competitively for the long term.



Erik Bogsch
Managing Director

III. In Transition

1. The Pharmaceutical Industry

The steady growth experienced by the pharmaceutical industry over the past few decades was brought to an abrupt end when the financial crisis suddenly erupted in mid 2008. The increasing instability of the financial institutions soon enough infected entire economies. In addition, the well known issue of drying out the pipelines resulted in disturbing volatility for the pharmaceutical industry with a sound defensive reputation among investors.

Industry related problems which accumulated slowly during the past decades suddenly broke out. Issues like lengthy product development, increasing regulatory hurdles and exposure to constraints of national healthcare budgets underlined the vulnerability of the pharmaceutical business.

Most of the generic companies which found themselves in the double constraints of increasing peer competition and a restrictive (national) budgetary environment were to select strategies to secure their future presence on the pharmaceutical market. They could get either global and protect margins through improving economies of scale or get special and protect margins by implementing a complex business model.

Richter having preserved its original research over the past century and having invested significant resources in building up one of the widest female healthcare portfolio worldwide was a natural candidate for the latter strategy, i.e. go specialised.

2. Transition from Regional Midpharma to Pan-European Specialty Pharma

Following the Russian financial crisis in 1998 Richter decided to balance its geographic exposure and the USA business was scaled up initially by signing a strategic agreement with Duramed, later revised and extended both in scope and in duration with Barr, acquirer of Duramed. The arrangements focusing on Richter's niche specialty area, Female Healthcare, presented a concentration of the business from a therapeutic point of view, with a dilution of excessive dependency from a geographic point of view. Following recent negative developments experienced at our USA business Richter has repeated the same scenario, which has proven to be successful in the past decade, having acquired a divested OC portfolio and a novel original drug being on the verge of European authorization Richter has moved into Western European markets with one, carefully selected therapeutic area - Female Healthcare.

Thus from a regional point of view Richter is on track to become a Pan-European pharmaceutical company. From the point of view of therapeutic areas represented on each of the sub-regions we can state that Female Healthcare has a strong presence also in Western Europe as well as in Central and Eastern Europe and the CIS region. Gynaecological sales are complemented with more generic sales in the growing CIS region while more specialty sales (cariprazine, biosimilars) are expected to add value to Western European sales in the medium to long term.

It is our endeavour within the next five to ten years to establish our presence in such fast growing regions as China or Latin America. This strategy is being carried out purposefully having announced in February 2013 that Richter increased its direct Chinese presence by establishing a majority stakeholding in a local company making the distribution of prescription drugs on the local market besides existing JV selling oral and emergency contraceptives. In addition to that in June 2013 Richter expanded its earlier established marketing agreement with HRA Pharma for ESMYA® to Latin America. Consequently Richter initiated the gradual buy-out of its local partners both in Brazil and Mexico during December 2013 with a special focus on registration of specialty products belonging to the Female Healthcare product portfolio, focusing on oral contraceptives and ESMYA® together with the establishment of a related sales network.

3. Strategic Focus – Innovation

All our activities are connected by one key word: innovation. One can only successfully adapt to the rapidly changing domestic and international environment if innovation is placed at the very heart of all of Group activities. All three specialty businesses Richter is engaged to require significant amounts.

a) Female Healthcare

One of 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, a pharmacist started to research 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 development processes which result in high quality gynaecological products.

Currently, Richter makes available one of the world's widest range of female healthcare products while still continuing to broaden its product portfolio. A key element of the Company's strategy has been and remains the development of its gynaecological business.

In accordance with this strategy two acquisitions were concluded during 2010, both of which further strengthened the female healthcare portfolio. The acquisition of PregLem created a platform for Richter to develop a new class of drugs for the treatment of benign gynaecological conditions. The most advanced product in this portfolio is ESMYA® for preoperative treatment of uterine fibroids, which was launched both in 2012 and in 2013 across Europe. The purchase of Grünenthal's well established oral contraceptive franchise boosted both our existing gynaecological sales and also created a platform for establishing a female healthcare sales network in Western Europe.

ESMYA®

Uterine fibroids are the most common benign, solid tumours of the female genital tract, affecting between 20 and 25 percent of women of reproductive age. The condition is characterized by excessive uterine bleeding, anaemia, pain, frequent urination or incontinence, and infertility. So far, GnRH agonists were the only approved pre-operative treatment for uterine fibroids and their use has been relatively limited due to side effects resulting from the suppression of oestrogen to post-menopausal levels (hot flashes, depression, mood swings, loss of libido, vaginitis and loss of bone mineral density).

ESMYA® 5mg tablet containing ulipristal acetate is a first-in-class, orally active, selective progesterone receptor modulator. It reversibly blocks the progesterone receptors in target tissues. The 12 weeks once-a-day oral therapy (vs. injectable GnRH agonist) is effective to stop uterine bleeding, correct anaemia and shrink fibroid volume. It improves quality of life and has no castration side effects unlike GnRH agonists.

In February 2012 the European Commission (EC) granted marketing authorization to ESMYA® 5mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids. Following the receipt of the marketing approval, the product has been registered and launched all across Europe, in the CIS region and also in Canada by our US based partner Actavis.

Launch of ESMYA® with reimbursement

Country	Launch	Reimbursed
Germany	Q1 12	Q1 12
United Kingdom	Q2 12	Q2 12
Austria	Q2 12	Q4 12
Denmark	Q4 12	Q4 12
Norway	Q4 12	Q4 12
Hungary	Q2 12	Q1 13
Sweden	Q1 13	Q1 13
Slovakia	Q3 12	Q1 13
Slovenia	Q4 12	Q2 13
Netherland	Q3 12	Q2 13
Czech Republic	Q2 12	Q3 13
Belgium	Q3 13	Q3 13
France	Q3 13	Q3 13
Spain	Q4 13	Q3 13
Canada	Q3 13	Q3 13
Finland	Q4 13	Q4 13
Luxemburg	Q3 13	Q4 13
Switzerland	Q4 13	Q4 13

Launch of ESMYA® without reimbursement

Country	Launch
Poland	Q2 12
Baltic States	Q3 12
Romania	Q3 12
Portugal	Q3 12
Bulgaria	Q4 12
Russia	Q2 13
Belorussia	Q4 13
Georgia	Q4 13
Kazahstan	Q4 13
Turkmenistan	Q4 13
Ukraine	Q4 13

Following the acquisition of PregLem, Richter received exclusive licensing rights to develop and market ESMYA® in the EU region. At the same time such rights were licensed out to Watson Pharmaceuticals Inc. for the USA and Canada. In December 2011, Richter obtained from HRA Pharma an extension of its geographical scope for ESMYA® to the CIS and China. During the reported period Richter and HRA Pharma have entered into a further licensing agreement in connection with marketing rights of ulipristal acetate for the treatment of benign gynaecological disorders with respect to the territories of Latin America.

On 5 July 2013 Richter filed a label extension request to the European Medicines Agency (EMA) in respect of the ESMYA® 5 mg tablet asking approval to extend pre-operative treatment of uterine myomas with moderate to severe symptoms from the currently authorised period of one cycle (3 months) to two cycles (2x3 months). Based on the positive opinion issued by the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted in November 2013, the European Commission approved on 24 January 2014 the Company's application to extend the use of ESMYA® 5 mg tablets (ulipristal acetate) to up to two courses of three-month treatment of uterine fibroids.

In order to expand the indication to meet the needs of a wider range of affected women Richter initiated Phase III clinical studies in the third quarter 2012 to establish the long term (on-off) usage of ESMYA® targeting a substantial recession of fibroid tumors and consequently making surgical interventions unnecessary. The studies are expected to be completed by the second quarter 2014.

ESMYA® reported total sales of EUR 16.3 million in 2013.

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 first, second, third and fourth generation oral contraceptives and emergency contraceptives providing a wide range for the female population to choose those products which fit most with their personal needs.

Products for Menopause (Hormone Replacement Therapy, Osteoporosis Medications)

The menopause is a period of natural transition which every woman eventually experiences. The decline in oestrogen production that characterises this transition period can have short and long term implications. It is no secret that the menopause might have a negative influence on the quality of life. Furthermore, oestrogen loss is closely associated with the development of osteoporosis and bone fractures. Our aim is to maintain women's health and quality of life over the long term. According to an established cooperation with Acrux an Australian drug delivery company, Richter expects to commercialise Acrux's estradiol skin spray therapy for female menopause symptoms in markets outside the United States.

Other Gynaecological Products

Richter's overall target is to offer a complete range of female healthcare products and in accordance with this objective we also provide treatment for gynaecological infections.

Main gynaecological products of Richter Group

Brand name	Active ingredients	Product type	Regions where launched [1]
Oral contraceptives (OC)			
VOLINA / MIDIANA / ARANKA / MAITALON 30	DRP + 30mcg EE	Fourth generation	Hungary; EU; CIS; RoW
SYMICIA / DAYLETTE / VOLINA MITE / REZIA / MAITALON 20 / DARYLIA / DIMIA / LILADROS / ARANKELLE / TEENIA	DRP + 20mcg EE	Fourth generation	Hungary; EU; CIS
MISTRAL / SILUETTE / MISTRA / SIBILLA	dienogest + 30mcg EE	Fourth generation	Hungary; CIS
REGULON / DESORELLE / DESMIN 30	DSG + 30mcg EE	Third generation	Hungary; EU; CIS; RoW
NOVYNETTE / DESMIN 20	DSG + 20mcg EE	Third generation	Hungary; EU; CIS; RoW
AZALIA / LACTINETTE	DSG	Third generation	Hungary; EU; CIS; RoW
LINDYNETTE 20 / KARISSA	GST + 20mcg EE	Third generation	Hungary; EU; CIS; RoW
LINDYNETTE 30	GST + 30mcg EE	Third generation	Hungary; EU; CIS; RoW
MILLIGEST / TRISTIN / PERLEAN	GST + EE	Third generation	Hungary; EU; CIS
RIGEVIDON	LVG + EE	Second generation	Hungary; EU; CIS; RoW
TRI-REGOL	LVG + EE	Second generation	Hungary; EU; CIS; RoW
BELARA / CHARIVA / LYBELLA / BALANCA / BELARINA	CLM + EE		Hungary; EU; CIS; RoW
NEO-EUNOMIN	BCLM + EE		EU
EVE 20	norethisterone + EE	First generation	EU
Emergency contraceptives (EC)			
POSTINOR / RIGESOFT / LEVONELLE-2 / PLAN B	LVG (2x)		Hungary; EU; CIS; USA; China; RoW
ESCAPELLE / LEVONELLE ONE-STEP / PLAN B ONE-STEP	LVG (1x)		Hungary; EU; CIS; USA; RoW
ELLAONE [2]	ulipristal acetate		Hungary; EU; CIS; RoW
Contraceptive device (CD)			
GOLDLILY / SILVERLILY	Cu + Au, Cu + Ag	IUD	Hungary; EU; CIS
Menopausal care			
TULITA / MINIVEL	norethisterone + estradiol	Hormone replacement therapy	Hungary
FEMSEVEN [2]	estradiol hemihydrate	Hormone replacement therapy (patch)	EU
FEMSEVEN COMBI [2]	LVG + estradiol	Hormone replacement therapy (patch)	EU
TRIAKLIM	norethisterone + estradiol	Hormone replacement therapy	Hungary
PAUSOGEST	norethisterone + estradiol	Hormone replacement therapy	Hungary
GOLDAR [2]	tibolone	Hormone replacement therapy	EU
ESTRIMAX	estradiol	Hormone replacement therapy	Hungary; EU
SEDRON / OSTALON / SIRANIN / BEENOS	alendronate	Osteoporosis	Hungary; EU; CIS; RoW
CALCI-SEDRON-D / OSTALON CALCI D	alendronate + Ca, vitamine D	Osteoporosis	Hungary; CIS
OSSICA	ibandronate	Osteoporosis	EU
Pregnancy care and Obstetrics			
GRAVIDA [2]	vitamins	Pregnancy care	Hungary
OXYTOCIN	oxytocine	Labour induction (injection)	Hungary; EU; CIS; RoW
BROMOCRIPTIN	bromocriptin mesilate	Prolactin inhibitor	Hungary; EU; CIS; China; RoW
Gynaecological infections			
MYCOSYST	fluconazole	Antifungal	Hungary; EU; CIS; RoW
GYNO FEMIDAZOL	miconazole nitrate	Antifungal	EU
GYNOFORT	butoconazole nitrate	Antifungal (cream)	Hungary; EU; CIS
KLION D	metronidazole + miconazole	Antifungal	Hungary; EU; CIS; RoW
Other Gynaecological conditions			
ESMYA®	ulipristal acetate	Uterine myoma	Hungary; EU; RoW
NORCOLUT	norethisterone	Premenstruation syndrome, mastodynia, dysfunctional uterine bleeding, endometriosis	Hungary; CIS; RoW
Bulk products		Oral contraception	EU; USA; RoW

Abbreviations used in the table:
DRP: Drospirenone
LVG: Levonorgestrel
GST: Gestodene
EE: Ethynil estradiol
DSG: Desogestrel
CLM: Chlormadinone
BCLM: Biphasic-chlormadinone

Notes: [1] Products are launched in certain countries of the given region.
[2] Licenced-in products.

b) Original Research – Focus on CNS

Research of new chemical entities has always been of paramount importance to our corporate strategy. Since 1998 major changes have occurred in the structure of the research organisation. State of art laboratories have been built in the area of neuropharmacology, molecular biology, kinetics and metabolism and during the late 1990's. Pharmacological facilities have also been upgraded, while a new chemical–analytical research centre that meets the highest quality and technological requirements has more recently been constructed. In addition to modernisation of the technological infrastructure, a restructuring strategy has been implemented to ensure the quality of science, innovation and speed are critically important factors in our research and to increase the opportunities for the research system to deliver high quality developable compounds. Following a major review of our research pipeline and resources, a strategic decision was taken to focus our original research activities exclusively on the CNS area. Aware of our capabilities and limits it was concluded that cooperation was required in order to share our knowledge and experience and share the significant related development costs and risks. In line with this aim, in 2004 we signed a research and development collaboration agreement with Forest Laboratories and also with MitsubishiTanabe Pharma for our atypical antipsychotic, cariprazine and the related compounds. In March 2013 we entered into a comprehensive and long term collaboration agreement with Orion Corporation for the discovery and development of new chemical entities in the field of cognitive disorders.

Cariprazine

Cariprazine, discovered and patented by researchers at Gedeon Richter, is an orally active, potent D3/D2 receptor partial antagonist that preferentially binds to D3 receptors. In addition, cariprazine has a low potency at other receptor sites, such as 5-HT2C, histamine H1, and adrenergic receptor sites, which have been associated with adverse events. Based on its pharmacological profile cariprazine seems to be a competitive antipsychotic drug candidate with robust efficacy and favourable side effect profile.

Recent Developments

Jointly with Forest we have carried out successful phase II and phase III trials in bipolar mania and schizophrenia, which enabled our partner to compile and submit a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for both indications in November 2012. 12 months later, on 19 November 2013 the U.S. Food and Drug Administration (FDA) issued a complete response letter regarding the New Drug Application (NDA) for cariprazine. In the complete response letter, the FDA acknowledged that cariprazine clearly demonstrated effectiveness in the treatment of schizophrenia and mania associated with bipolar disorder. However, the Agency indicated more information would be required. Forest expects to meet the FDA to discuss next steps and determine what additional information is required.

c) Biosimilars

Richter acknowledged the growing importance of biological drugs in the medium to long term and took a number of years ago, the strategic decision to enter this novel, high added intellectual value field. In doing so, Richter's management was confident that its decades long expertise in fermentation, a most sensitive procedure used both in the manufacturing process of biological drugs and in that of steroids, creates a competitive edge over many of its peers which might be considering a similar shift in strategy.

Initially Richter acquired in 2007 a family owned R&D and manufacturing site near Hamburg, Germany, establishing with Helm a joint venture business where Richter is the majority shareholder. The site comprises a plant able to perform the manufacturing of bacterial cell based proteins, as well as a pilot plant and a connecting laboratory unit.

A much larger scale investment followed with the construction in Budapest of a pilot plant and a laboratory unit to complement a totally new manufacturing unit built in the city of Debrecen in Eastern Hungary. This Hungarian complex will develop in Budapest and manufacture in Debrecen biological drugs based on mammalian cells.

When selecting candidate products Richter proceeded very carefully, focusing on two therapeutic areas: Oncology and Immunology. Both these areas are among the highest growth rate therapeutic segments. Richter expects its first biosimilar products to be launched in 2016 and onwards.

As it usually does when it comes to relatively higher risk or significantly larger investments, Richter identified strategic alliances with companies interested in biosimilars in order to share both risks and costs. In this endeavour Richter has concluded two such agreements, one with Mochida for the Japanese market, and the other with Stada based in Germany. Further partners are sought with the aim of establishing joint product development activities.

IV. Business Review

1. Pharmaceuticals

a) 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 more than 1,000 employees in the field of research and development, Richter today is the most significant pharmaceutical research base in the Central and Eastern European region. Pharmaceutical R&D covers three strategic areas, notably research and development of new chemical entities (NCEs), recombinant biotechnological activities and the development of generic products.

Research and development of new chemical entities focuses on the Central Nervous System area and on Female Healthcare.

In 2013 we reached a further milestone in the development process of cariprazine (RGH-188), our antipsychotic compound. In February 2012 jointly with our partner, Forest Laboratories, we announced positive results from Phase III trials with cariprazine for the treatment of schizophrenia and bipolar mania, consequently Forest submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for both indications in November 2012.

After twelve months, in November 2013 the U.S. Food and Drug Administration (FDA) issued a Complete Response Letter regarding the New Drug Application (NDA) for cariprazine. In the Complete Response Letter, the FDA acknowledged that cariprazine clearly demonstrated effectiveness in the treatment of schizophrenia and mania associated with bipolar disorder. However, the Agency indicated more information would be needed. It is our joint intention with Forest to provide the FDA with the necessary information they requested to determine appropriate next steps and consequently Forest expects to meet the FDA and determine what additional information is required.

In addition, further phase II clinical trials for cariprazine are being carried out in cooperation with Forest Laboratories in bipolar depression and also in adjunctive therapy to major depression indications, results of which are expected to be available in the first half 2014. Further clinical trials for cariprazine were initiated during 2012 in order to meet the regulatory criteria established in the European Union. Our partner in Japan, MitsubishiTanabe Pharma, is also conducting phase III clinical trials to facilitate the product introduction on the Japanese market.

Besides cariprazine, the Company has a research portfolio of 14 ongoing projects, of which two are in clinical Phase I trials. The remainder are in the preclinical phase of development.

Our original development programmes in Female Healthcare are conducted by our subsidiary, PregLem. Following receipt of the marketing authorization for the ESMYA® 5mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids, the product has been registered and launched across Europe, in the CIS region and in Canada. (For the full list of countries please see the table on page 29).

We also initiated Phase III clinical studies in 2012 to establish the long term (on-off) use of ESMYA® targeting a substantial recession of uterine fibroids consequently making surgical interventions unnecessary. The studies are expected to be completed by the second quarter 2014.

At the end of 2013 the clinical portfolio consisted of the following:

Clinical portfolio

Name of compound	Clinical phase		Primary indications	Partner
ESMYA®	Launched	EU, CIS, Canada	Uterine myoma	-
	Phase III	USA		Actavis
cariprazine (RGH-188)	Under registration	USA	Schizophrenia, bipolar mania	Forest Laboratories
	Phase III		Major depression	
	Phase II		Bipolar depression	
	Phase III	EU	Schizophrenia, negative symptoms	-
	Phase III	Japan	Schizophrenia	MitsubishiTanabe

Based on our long term almost 50 years experience in the area of classical fermentation, combined with molecular biological knowledge, a strategic decision was made by management in 2006 to start recombinant biotechnological activities at the Company. The Hamburg based Richter-Helm Biologics, established jointly with Helm AG, carries out development and manufacturing of microbial proteins. In addition, a biotechnology laboratory and pilot plant in Budapest became operational in 2009. Meanwhile a greenfield investment which was commenced in Debrecen in 2008 targeting the production of the most complex mammalian cell products, was inaugurated and became operational in 2012.

The Company considers it essential to establish partnerships 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 cooperation with other pharmaceutical companies when it comes to the development of molecules in clinical phases. In this regard partnerships with the US-based Forest Laboratories and with the Japanese company MitsubishiTanabe Pharma have contributed substantially to the Company's research activity. In particular Richter's experience in preclinical trials is complementary with Forest's experience in clinical trials. We are pleased to report that Richter further expanded its partnership base in the field of original research activities by entering into a comprehensive and long term collaboration agreement for the discovery and development of new chemical entities in the field of cognitive disorders with Orion Corporation. According to the agreement the partnership provides an opportunity whereby the two companies jointly select and bring forward three discovery phase candidates and share all the development related expenses on an equal base.

In addition to the comprehensive and long term license and collaboration agreement signed in late 2010 with Mochida Pharmaceutical Co. Ltd. in respect of the development and marketing of Richter's biosimilar product portfolio we have announced two separate license and collaboration agreements in respect of the development and marketing of two biosimilar products, two monoclonal antibodies, with STADA Arzneimittel AG.

Generic development work in several therapeutic areas continued in 2013. The Group's target is to launch at least 5-7 new generic and branded generic products per year on its markets. Licensing-in activity also contributes to the continuous development of the Group's product portfolio. Process development activities and bioequivalence studies on several active pharmaceutical ingredients and finished products continued during the year.

As a result of a dedicated approach by our sales force teams in Western European countries, ESMYA® has been launched across the EU, except for Italy and Ireland. Additionally the product was introduced in the CIS region, while, our partner in the US, Actavis introduced the product in Canada in August 2013 under the trade name FIBRISTAL®. (For the full list of countries please see table on page 29)

Several products developed in-house were also introduced to the market during 2013, namely the zinc hyaluronate containing collyrium, OPHYLOSA in Hungary, in Central and Eastern Europe and in Western European countries; the zoledronic acid containing oncology product ZOLEDRONIC ACID infusion in Hungary, in Central and Eastern Europe and in Ukraine; the pregabalin containing antiepileptic PREGABALIN RICHTER in Russia; the pancreatin containing digestive DIPANKRIN FORTE in Hungary; and the levonorgestrel + ethynil estradiol containing second generation oral contraceptive, KLEODINA in Germany. Also the memantine containing product for the treatment of Alzheimer's disease under different brand names was introduced in Hungary and in the Central Eastern European region, while the analgesic tramadol and paracetamol containing combination product was launched in Poland under the trade name CURIDOL.

Additionally, the licensed-in telmisartan and hydrochlorothiazide containing antihypertensive combination product, TANYDON HCT was launched in Hungary, while the deqalinium chlorid containing FLUOMIZINE was introduced in Austria during the year. New formulations of our existing products were also launched in number of our markets.

The Group reported in 2013 a 8.0 percent increase in its spending on research and development which totalled HUF 41,953 million (EUR 141.4 million), representing 11.9 percent of consolidated sales.

b) Manufacturing and Supply

Richter has always paid special attention to being in a position to offer reliable and modern products at affordable prices. Our key objective is to satisfy market demand by providing sufficient quantities of quality products in a timely and a cost efficient manner. We manage that by continually optimizing cost efficiency of products and technologies and by operating an integrated supply process system including all subsidiaries.

Despite the challenges presented by the economic turmoil we have continued in 2013 to drive operational excellence and make adjustments to our operational base so as to maximize the efficiency of our supply chain whilst maintaining the highest standards of quality and security of supply. During the year we maintained our focus on driving continuous improvement in our supply systems as part of a wide ranging cost and efficiency programme.

Volumes shipped of finished products moderately increased in 2013 when compared to the levels reported in 2012, outperforming the overall pharmaceutical sales growth reported by the Group reflecting price pressure prevailing in most of our CEE and CIS regions.

At all of our manufacturing units in the CIS and CEE region manufacturing of new products commenced during 2013.

Overall volumes of API manufacturing decreased slightly when compared to the levels recorded in 2012. Steroid API's volumes, nevertheless showed an increase year on year.

A number of investment programmes, aimed mostly towards capacity maintenance, were initiated during 2013 in the manufacturing process of our traditional product lines. A process monitoring system at our steroid plant has been gradually replaced. As GMP requirements have been tightened several manufacturing units were adapted to meet these changes. Significant capital expenditure was directed towards the injectable plant, the tabletting facilities and the packaging areas.

From among the various small-scale capital expenditure programs carried out at subsidiaries of the Group it should be highlighted that, in line with the announced expansion of our Russian operations, following the expansion of the warehousing capacity we have commenced the creation of interior spaces together with complementary mechanical and electrical works.

Furthermore, special premises have been created in Marosvásárhely at our Romanian subsidiary in order to accommodate manufacturing and packaging of hormone containing liquids. EU funds were also granted to build a new R&D facility at the same subsidiary.

Beyond maintenance expenditures a new packaging line and a tabletting machine were put in operation at our Polish subsidiary during the reported year.

c) Products

Richter recognises that currently it is considered primarily to be a branded generic pharmaceutical manufacturer. Whilst the dominant part of its turnover originates from generic drugs the Group also manufactures and markets steroid based pharmaceuticals which represent a specialised, higher margin group of products. Over the last decade this niche portfolio has contributed substantially to both the increase in sales and to the relatively high margins achieved by the Group. It has been a priority for Richter management to further strengthen this therapeutic area where we traditionally have possessed special knowledge. The acquired ex-Grünenthal oral contraceptive portfolio represents a strategic fit for Richter to both strengthen its presence in Western European markets and expand its oral contraceptive portfolio. Additionally the acquisition of PregLem increases Richter's exposure to specialty pharma and complements its existing Women's Health franchise. In this Annual Report the separate section on Female Healthcare describes our gynaecological products in detail.

Richter also markets as part of its portfolio original products and continues to carry out intensive research activities, to treat diseases of the Central Nervous System. It is management's opinion that it is important for the longer term success of the Group that it continues to research own developed compounds.

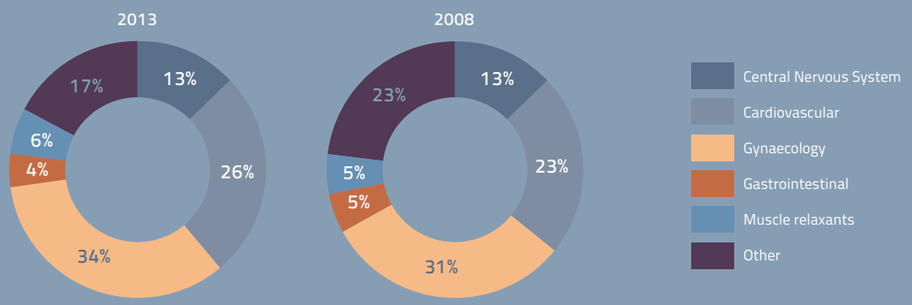
Richter is a regional mid-sized pharma company with a vertically integrated structure. This is based on a good market position with geographic and therapeutic niches supported by continuous enhancement through the supply of specialties partly via licensing agreements. Licensing-in has become an important route for the Group to renew its product portfolio. This is accomplished partly as an expansion of our existing generic product line and partly via providing high added value products including original compounds in the field of Female Healthcare or in other therapeutic areas.

Main licencing-in partners of Richter

Company	Country	Product	Therapeutic area
Acrux	Australia	LENZETTO	Gynaecology
Actavis	Switzreland	Several products	Gastrointestinal, Urology, Gynaecology
Almirall Prodesfarma	Spain	AFLAMIN	Non-steroid anti-inflammatory
Astellas	Japan	SUPRAX	Antibiotic
Biogen Idec	USA	AVONEX, TYSABRI	Central nervous system, sclerosis multiplex
Evestra	USA	EVE-112, EVE-116	Gynaecology
Helm	Germany	FENTANYL patch, ANASTAZOL, LETROZOL	Oncology, opioid analgesic
HRA Pharma	France	ESMYA®	Gynaecology, uterine myoma
Janssen	Belgium	Several products	Central nervous system, Antifungal, Antibacterial
KV Pharmaceutical	USA	GYNAZOL-1®	Gynaecologycal infections
ProStrakan	United Kingdom	LUNALDIN	Oncology, opioid analgesic
Sanofi-Aventis	France	TARIVID	Antibiotic
Takeda	Japan	LANSONE	Gastrointestinal, antiulcer

Richter's management continues to endeavour to provide greater focus and improved shape to the product portfolio. With this background it is understandable that most of the top ten products in 2013 originate from the three largest therapeutic categories. Products belonging to the therapeutic areas of Gynaecological, Cardiovascular and Central Nervous System together generated 73 percent of total pharmaceutical sales.

Products by therapeutic groups



Central Nervous System related drugs contributed altogether 13 percent of total pharmaceutical sales. The leading CNS product was our original product, CAVINTON (vinpocetine). A good increase of CAVINTON turnover was registered in 2013 compared with the turnover reported in 2012. The sales performance achieved in China, in Russia and in Romania contributed the most to the turnover recorded. The paroxetine containing antidepressant REXETIN contributed substantially to the sales levels reported in this therapeutic group. GORDIUS (gabapentin) – an antiepileptic drug- registered good sales performance in Russia, in Georgia and in Ukraine.

Cardiovascular drugs showed sales growth in 2013, accounting for 26 percent of total pharmaceutical sales. The cardiac therapy PANANGIN (asparaginates) - the leading product in this therapeutic area, increased by 19.4 percent in sales with most of the turnover originating from Russia and from China. Antihypertension products including LISONORM (lisinopril + amlodipine), VEROSPIRON (spironolactone) and NORMODIPINE (amlodipine) were also among the key drivers of the growth. Turnover of ACE inhibitors (EDNYT, LISOPRESS) decreased by 9.3 percent in 2013, as sales declined in all major geographical regions. The cholesterol lowering XETER (rosuvastatin) sales level was 6.3 percent lower in the reported period than the turnover achieved during 2012.

Muscle relaxant drugs amounted to 6 percent of total pharmaceutical revenue of the Group in 2013. The most significant sales were achieved by the original product MYDETON / MYDOCALM (tolperisone), primarily in Russia.

Gastrointestinal products represented 4 percent of total pharmaceutical sales led by the H_2-blocker QUAMATEL (famotidine) in 2013.

TOP 10 products

Brand name	Active ingredient	Therapeutic area	2013 HUFm	2012 HUFm	Change HUFm	Change %
Oral contraceptives	hormones	Gynaecology, oral contraceptives	85,931	82,383	3,548	4.3
CAVINTON	vinpocetine	Central nervous system, nootropic	24,358	19,699	4,659	23.7
MYDETON / MYDOCALM	tolperisone	Muscle relaxant	18,914	18,458	456	2.5
PANANGIN	asparaginates	Cardiovascular, cardiac therapy	18,480	15,476	3,004	19.4
LISOPRESS	lisinopril	Cardiovascular, antihypertensive	14,606	16,098	-1,492	-9.3
VEROSPIRON	spironolactone	Cardiovascular, diuretic	13,238	12,040	1,198	10.0
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	8,510	7,187	1,323	18.4
GROPRINOSIN	inosine pranobex	Antiviral	7,648	4,980	2,668	53.6
AFLAMIN	aceclofenac	Non-steroid anti-inflammatory	7,454	5,636	1,818	32.3
QUAMATEL	famotidine	Gastrointestinal, antiulcer	7,369	7,978	-609	-7.6
Subtotal			**206,508**	**189,935**	**16,573**	**8.7**
Other			98,121	96,544	1,577	1.6
Total			**304,629**	**286,479**	**18,150**	**6.3**
TOP 10 %			**67.8**	**66.3**		

In line with Group strategy the product portfolio has been successfully enhanced and it is under continuous renewal. This focus continues through withdrawing low volume and low margin products and introducing new products with improved profitability. Progress by the Group in launching new products continued in 2013.

d) Sales by Markets

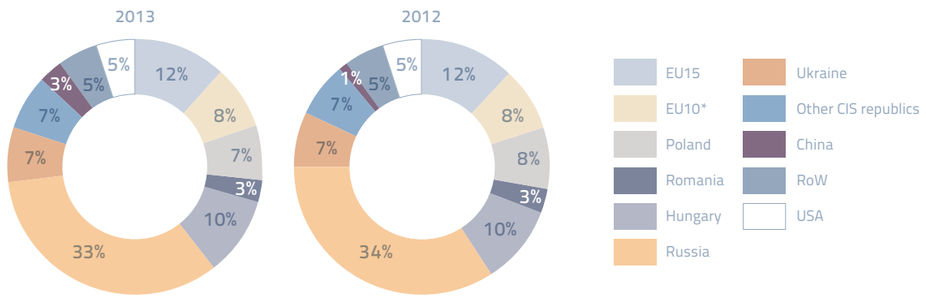
Sales in the pharmaceutical segment in 2013 totalled HUF 304,629 million (EUR 1,026.4 million), an increase of 6.3 percent (3.6 percent in Euro terms) when compared to 2012.

Sales by region

	2013 HUFm	2012 HUFm	Change HUFm	Change %	2013 EURm	2012 EURm	Change EURm	Change %
Hungary	**30,338**	**29,660**	**678**	**2.3**	**102.2**	**102.6**	**-0.4**	**-0.4**
EU [1]	**92,121**	**87,848**	**4,273**	**4.9**	**310.4**	**303.8**	**6.6**	**2.2**
Poland	22,000	22,622	-622	-2.7	74.1	78.2	-4.1	-5.2
Romania	9,611	9,049	562	6.2	32.4	31.3	1.1	3.5
EU 10 [2]	23,756	23,188	568	2.4	80.1	80.2	-0.1	-0.1
EU 15	36,754	32,989	3,765	11.4	123.8	114.1	9.7	8.5
CIS	**142,450**	**136,568**	**5,882**	**4.3**	**480.0**	**472.4**	**7.6**	**1.6**
Russia	99,889	97,388	2,501	2.6	336.6	336.9	-0.3	-0.1
Ukraine	21,191	19,400	1,791	9.2	71.4	67.1	4.3	6.4
Other CIS republics	21,370	19,780	1,590	8.0	72.0	68.4	3.6	5.3
USA	**14,293**	**16,123**	**-1,830**	**-11.4**	**48.1**	**55.8**	**-7.7**	**-13.8**
China	**10,352**	**1,769**	**8,583**	**485.2**	**34.9**	**6.1**	**28.8**	**472.1**
Rest of the World	**15,075**	**14,511**	**564**	**3.9**	**50.8**	**50.2**	**0.6**	**1.2**
Total	**304,629**	**286,479**	**18,150**	**6.3**	**1,026.4**	**990.9**	**35.5**	**3.6**

Notes: [1] All Member States of the European Union, except for Hungary.
[2] Restated to include Croatia following its accession to the EU on 1 July 2013.

Sales analysis by region



Note: *Restated to include Croatia following its accession to the EU on 1 July 2013.

Hungary

In 2013, a further depreciating national currency, together with a slow recovery in the Eurozone set limits on Hungarian economic development. The overall trends were positive though in almost all aspects. GDP increased at a rate of 1.2 percent, inflation slowed to 1.7 percent and the unemployment rate decreased to 9.1 percent. The pharmaceutical market followed the positive trend and according to market research increased by 2.8 percent.

In Hungary sales totalled HUF 30,338 million (EUR 102.2 million) in 2013, an increase of 2.3 percent (a 0.4 percent decline in Euro terms) when compared to 2012. Certain amendments to the price regulation system which were implemented during the fourth quarter 2013 did not impact materially the Group's overall performance in the reported period. However, a blind auction system introduced in 2011 aiming towards semestral price adjustments adversely affected several major Richter brands in Hungary. Price cuts applied with effect from 1 April and 1 October 2013 amounted to an estimated annual revenue loss of approximately HUF 750 million in 2013.

Nevertheless a number of products showed significant sales growth during the reported period, notably ESMYA®, TANYDON, AKTIL and VIDONORM.

Retail sales of Richter products increased by 3.6 percent compared to the levels achieved in 2012. Richter is now the fourth player on the Hungarian pharmaceutical market with a 5.3 percent share based on the latest available market audit (IMS) data for the full year 2013. When considering only the market for retail prescription drugs, Richter qualified for second place with a market share of 7.4 percent.

Hungarian Regulatory Environment

Certain changes implemented to the regulatory system during the fourth quarter 2013 are expected to have a limited beneficial impact on future sales levels to be achieved in Hungary. Extraordinary taxes levied on the industry are reclaimable at a maximum rate of 90 percent subject to required levels of R&D expenditure and employment numbers being achieved. Given its high level of such expenses Richter qualifies for this maximum allowance. Furthermore by virtue of the law, the Company is entitled to carry over such R&D linked allowances across calendar years.

New products launched in Hungary during 2013

Brand name	Active ingredient	Therapeutic area	Launch date
ZOLEDRONIC ACID INFUSION	zoledronic acid	Oncology	Q2, 2013
OPHYLOSA	zinc hyaluronate	Ophtalmology	Q2, 2013
MIRVEDOL	memantine	CNS, Alzheimer's disease	Q3, 2013
TANYDON HCT*	telmisartan + hydrochlorothiazide	Cardiovascular, antihypertensive	Q4, 2013
DIPANKRIN Forte	pancreatinum	Gastrointestinal, digestive	Q4, 2013

Note: * Licenced-in product.

TOP 10 products in Hungary

Brand name	Active ingredient	Therapeutic area	2013 HUFm	2012 HUFm	Change HUFm	Change %
Oral contraceptives	hormones	Gynaecology	3,421	3,332	89	2.7
CAVINTON	vinpocetine	Central nervous system, nootropic	2,001	2,033	-32	-1.6
XETER	rosuvastatin	Cardiovascular, cholesterol-lowering	1,483	1,742	-259	-14.9
QUAMATEL	famotidine	Gastrointestinal, antiulcer	1,376	1,336	40	3.0
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	1,037	1,030	7	0.7
AFLAMIN*	aceclofenac	Non-steroid anti-inflammatory	916	708	208	29.4
MODUXIN	trimetazidine	Cardiovascular, cardiac therapy	827	969	-142	-14.7
PANANGIN	asparaginates	Cardiovascular, cardiac therapy	818	739	79	10.7
LAMOLEP	lamotrigine	Central nervous system, antiepileptic	807	824	-17	-2.1
AKTIL*	amoxicillin + clavulanic acid	Antibiotic	794	532	262	49.2
Subtotal			**13,480**	**13,245**	**235**	**1.8**
Other			16,858	16,415	443	2.7
Total			**30,338**	**29,660**	**678**	**2.3**
TOP 10 %			**44.4**	**44.7**		

Note: * Licenced-in products.

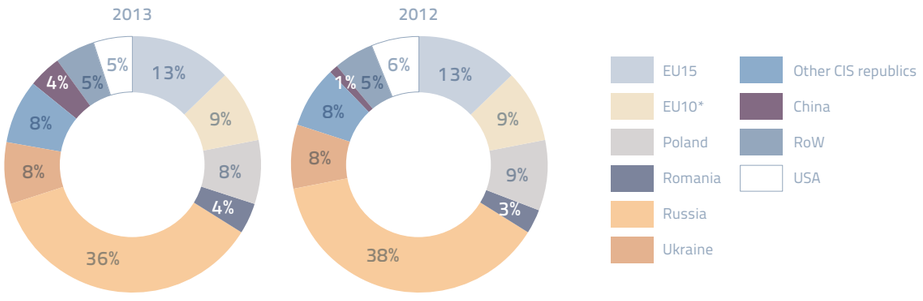
International Sales

International sales amounted to EUR 924.2 million in 2013, an increase of EUR 35.9 million or 4.0 percent over 2012. Sales in the CIS totalled EUR 480.0 million (US$ 637.7 million), 1.6 percent (in US$ terms 5.1 percent) higher when compared to 2012. Registered sales in Russia were virtually flat (-0.1 percent in EUR terms) in 2013. A healthy 10.1 percent growth in US$ terms (6.4 percent in EUR terms) was reported in Ukraine, while an 8.9 percent increase in turnover in US$ terms (5.3 percent in EUR terms) was reported in the Other CIS republics. The increase in turnover reported for the EU region (2.2 percent in Euro terms) was primarily driven by higher sales levels recorded in Romania and EU 15 countries. Sales recorded in the USA declined by 10.7 percent in US$ terms. Sales to China amounted to EUR 34.9 million (US$ 46.3 million) in 2013, EUR 28.8 million (US$ 38.5 million) higher than in 2012 Turnover reported in the Rest of the World region increased by 1.2 percent in EUR terms in 2013 when compared to 2012.

Sales to TOP 10 international markets

	2013 EURm	2012 EURm	Change EURm	Change %
Russia	336.6	336.9	-0.3	-0.1
Poland	74.1	78.2	-4.1	-5.2
Ukraine	71.4	67.1	4.3	6.4
Germany	61.8	55.9	5.9	10.6
USA	48.1	55.8	-7.7	-13.8
China	34.9	6.1	28.8	472.1
Romania	32.4	31.3	1.1	3.5
Czech Republic	27.2	29.1	-1.9	-6.5
Kazakhstan	20.9	17.8	3.1	17.4
Slovakia	19.6	21.1	-1.5	-7.1
Subtotal	**727.0**	**699.3**	**27.7**	**4.0**
Total international sales	924.2	888.3	35.9	4.0
Share of the TOP 10 international markets	78.7%	78.7%		

International sales analysis by region



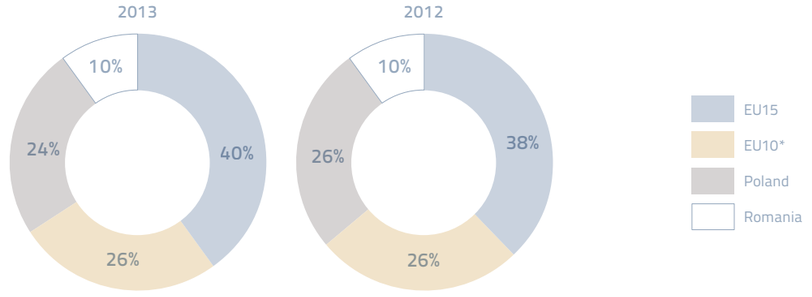
Note: *Restated to include Croatia following its accession to the EU on 1 July 2013.

European Union

Sales in the European Union, excluding Hungary, amounted to EUR 310.4 million in 2013, representing an increase of 2.2 percent when compared to 2012.

The reported sales growth for the EU was mostly due to good growth recorded in the EU15 region, despite the fact that the Group continued to face strong competition and sustained pressure from governments which together resulted year on year in both lower prices and reimbursement levels. Female Healthcare generics launched by Richter in key Western European countries have strongly contributed to the turnover growth.

Sales to the EU



Note: *Restated to include Croatia following its accession to the EU on 1 July 2013.

Positive macroeconomic developments in Poland, notably: a decreasing inflation rate and increasing GDP boosted the pharmaceutical market which grew by 9.3 percent. In spite of this positive macro environment, the Group sales decreased by 5.1 percent in PLN terms (5.2 percent in EUR terms) and reached PLN 310.7 million (EUR 74.1 million) in 2013. The primary reason for the sales decrease was the expiry of the licensing agreement for AVONEX (PLN 33.5 million). Due to Richter's efficient promotional activity a number of products showed sales growth during the reported period, notably AFLAMIN, GROPRINOSIN, SPIRONOL, our original product ESMYA® and the range of oral contraceptives.

An improving market environment characterised Romania in 2013 with political stability and 2.4 percent GDP growth. Sales to this country amounted to RON 143.0 million in 2013, a 2.6 percent year-on-year increase compared with the performance in 2012. In EUR terms turnover increased by 3.5 percent and amounted to EUR 32.4 million. A slow reduction in payment delays continued on the Romanian pharma market during the second half 2013, yet excessive delays continue to prevail in the sector.

New products launched in Central and Eastern Europe during 2013

Brand name	Active ingredient	Therapeutic area	Launch date
CURIDOL	tramadol	Central nervous system, analgesic	Q1, 2013
CURIOSIN GEL	zinc hyaluronate	Dermatology, anti-acne	Q1, 2013
MISTRA	dienogest + 30 mcg EE [2]	Gynaecology, oral contraceptive	Q1, 2013
DIRONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	Q1, 2013
MODUXIN	trimetazidine	Cardiovascular, cardiac therapy	Q1, 2013
BIOFENAC STICK [1]	aceclofenac	Non-steroid anti-inflammatory	Q2, 2013
VINPOTON FORTE	vinpocetinum	Central nervous system, nootropic	Q2, 2013
ZOLEDRONIC ACID INFUSION	zoledronic acid	Oncology	Q2, 2013
VIDONORM	amlodipine + perindopril	Cardiovascular, antihypertensive	Q2, 2013
AFLAMIL CREAM [1]	aceclofenac	Non-steroid anti-inflammatory	Q2, 2013
IBANDRONATE INJ.	ibandronate	Oncology / Gynaecology, anti-osteoporosis	Q2, 2013
TEENIA	drospirenone + 20mcg EE [2]	Gynaecology, oral contraceptive	Q3, 2013
VIDONORM	amlodipine + perindopril	Cardiovascular, antihypertensive	Q3, 2013
AFLAMIL STICK / AIRTAL STICK [1]	aceclofenac	Non-steroid anti-inflammatory	Q3, 2013
MEMANTIN	memantine	Central nervous system / Alzheimer's disease	Q4, 2013
MYCOSYST	fluconazole	Antifungal	Q4, 2013
BIOFENAC [1]	aceclofenac	Non-steroid anti-inflammatory	Q4, 2013

Notes: [1] Licenced-in products.
[2] Ethynil estradiol.

Turnover of CAVINTON, OSSICA and DUPLECOR contributed the most to sales levels achieved during 2013.

Strong competition and the various austerity measures introduced by local governments characterised the EU 10 region in 2013. The Group sales totalled EUR 80.1 million in the year, which was virtually flat (-0.1 percent) compared to the sales levels achieved in the base period. This area represented 26 percent of the total EU region sales of the Group's pharmaceutical segment.

Macroeconomic developments in the Czech Republic were mixed as decreasing inflation rate, and increasing GDP (by 0.8 percent) contrasted to an increasing unemployment rate in 2013. Our turnover on this market amounted to EUR 27.2 million in 2013, representing a 6.4 percent decrease over the sales levels achieved in the base period. Turnover of AFLAMIL, AMLATOR and ESMYA® contributed the most to sales levels achieved in 2013. In Slovakia, a Euro zone economy impacted to a lesser extent than its Central-European peers, with low inflation and a decreasing unemployment rate, our turnover amounted to EUR 19.6 million in 2013 which was 7.3 percent lower compared to 2012. Notwithstanding the overall decline a positive sales performance of ESMYA®, AMLATOR and PROTEVASC was recorded in the reported period. In the Baltic States sales amounted to EUR 17.7 million in 2013, 5.4 percent higher when compared to 2012. In Bulgaria sales totalled EUR 14.9 million in the reported period, representing growth of 15.3 percent when compared with turnover achieved in 2012.

In the 'traditional' 15 EU Member States sales amounted to EUR 123.8 million in 2013, 8.5 percent higher than in previous year. This region contributed 40 percent of total EU pharmaceutical sales.

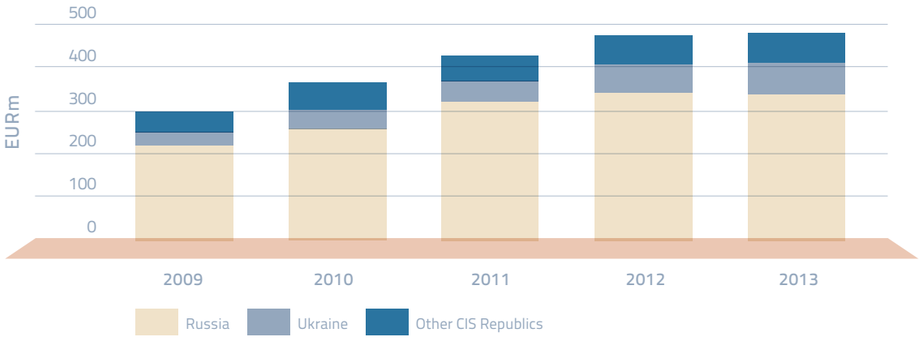
In Germany Richter Group reported sales of EUR 61.8 million in 2013, 10.6 percent higher than in the base period. In France the Group's turnover amounted to EUR 12.9 million in 2013. Sales in Italy reached EUR 10.2 million. Reported sales in the United Kingdom were EUR 8.2 million in 2013, while sales in Spain reached EUR 7.4 million. Turnover in Belgium totalled EUR 7.0 million, in Austria reached EUR 6.1 million while EUR 5.0 million sales were achieved in Portugal in 2013.

CIS

Sales to the CIS in 2013 totalled EUR 480.0 million, representing growth of 1.6 percent compared with sales levels achieved in 2012.

Increasing crude oil revenues created a predictable and stable economic environment in Russia which also positively impacted purchasing power. Sales totalled RUB 14.3 billion (EUR 336.6 million) in 2013, 5.5 percent higher, while in EUR terms it was virtually flat (-0.1 percent) compared to the base period. As we stated in our 2012 Annual Report, the licensing agreement for SUPRAX was terminated in 2012 and this resulted in a significant, RUB 0.5 billion (EUR 11.7 million) sales reduction year-on-year. Adjusting turnover achieved with the above loss in sales reported sales growth was 9.3 percent in RUB terms (3.5 percent in EUR terms). In spite of increasing generic competition good sales levels were achieved due to good performance of the range of oral contraceptives, PANANGIN, MYDOCALM and CAVINTON.

Sales to the CIS



In line with the Pharma 2020 strategy announced by the Russian Government which has as its objective the manufacturing of most essential medicines in Russia by 2016 Richter has been carrying out a multi-phase project which will further increase its Russian manufacturing and warehousing capacities.

Sales to Ukraine amounted to US$ 94.9 million (EUR 71.4 million) in 2013. The healthy growth of 10.1 percent (6.4 percent in EUR terms) reported over 2012 was due to Richter's efficient promotional activities. Turnover of GROPRINOSIN, DECARIS, LISONORM and CAVINTON contributed the most to the sales levels recorded.

Sales in Other CIS republics totalled US$ 95.7 million (EUR 72.0 million) in 2013, good growth of 8.9 percent (5.3 percent in Euro terms) compared to 2012. Sales growth was recorded in most of the republics; Kazakhstan, Belorussia and Moldova contributed the most to the achieved performance.

New products launched in the CIS republics during 2013

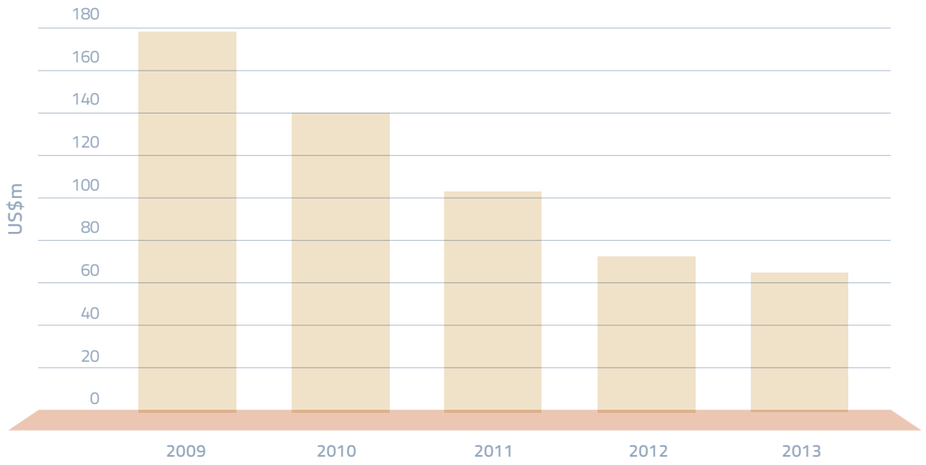
Brand name	Active ingredient	Therapeutic area	Launch date
AMDOAL	aripiprazole	Central nervous system, antipsychotic	Q1, 2013
NEXAZOL	letrozole	Oncology	Q1, 2013
EKVATOR	lisinopril + amlodipine	Cardiovascular, antihypertensive	Q1, 2013
AIRTAL CREAM [1]	aceclofenac	Non-steroid anti-inflammatory	Q1, 2013
SILUETTE	dienogest + 30 mcg EE [2]	Gynaecology, oral contraceptive	Q1, 2013
PERINDOPRIL-RICHTER	perindopril	Cardiovascular, antihypertensive	Q1, 2013
LORDESTIN	desloratadine	Respiratory, antiallergic	Q1, 2013
SINGLON	montelucast	Respiratory, antiasthmatic	Q1, 2013
MERTENIL	rosuvastatin	Cardiovascular, cholesterol-lowering	Q1, 2013
DIMIA	drospirenone + 20 mcg EE [2]	Gynaecology, oral contraceptive	Q1, 2013
ESMYA®	ulipristal acetate	Gynaecology, uterine myoma	Q2, 2013
CLOPIDOGREL RICHTER	clopidogrel	Cardiovascular, antithrombotic	Q2, 2013
AIRTAL STICK [1]	aceclofenac	Non-steroid anti-inflammatory	Q2, 2013
DVELLA	ulipristal acetate	Gynaecology, emergency contraceptive	Q2, 2013
EKVATOR	lisinopril + amlodipine	Cardiovascular, antihypertensive	Q2, 2013
FASCONAL	acetylsalicylic acid + paracetamol + caffeine + codeine	Analgesic	Q2, 2013
LENUXIN	escitalopram	Central nervous system, antidepressant	Q2, 2013
GOLDLILY	Au + Cu	Gynaecology, IUD	Q2, 2013
AFLAMIL CREAM [1]	aceclofenac	Non-steroid anti-inflammatory	Q3, 2013
DUPLECOR	amlodipine + atorvastatine	Cardiovascular, antihypertensive + cholesterol lowering	Q3, 2013
PREGABALIN RICHTER	pregabalin	Central nervous system, antiepileptic	Q3, 2013

Notes: [1] Licenced-in products.
[2] Ethynil estradiol.

USA

Sales in the USA totalled US$ 64.0 million (EUR 48.1 million) in 2013, a decline of 10.7 percent (13.8 percent in EUR terms). As indicated in previous reports revenues in connection with the drospirenone related profit sharing agreements declined further due to increased generic competition. Turnover of matured gynaecological products also showed a decline year on year. However significant sales growth of the finished form emergency contraceptive PLAN B ONE STEP was recorded during the reported period. Sales of finished form finasteride also contributed to the reported sales levels.

Sales to the USA



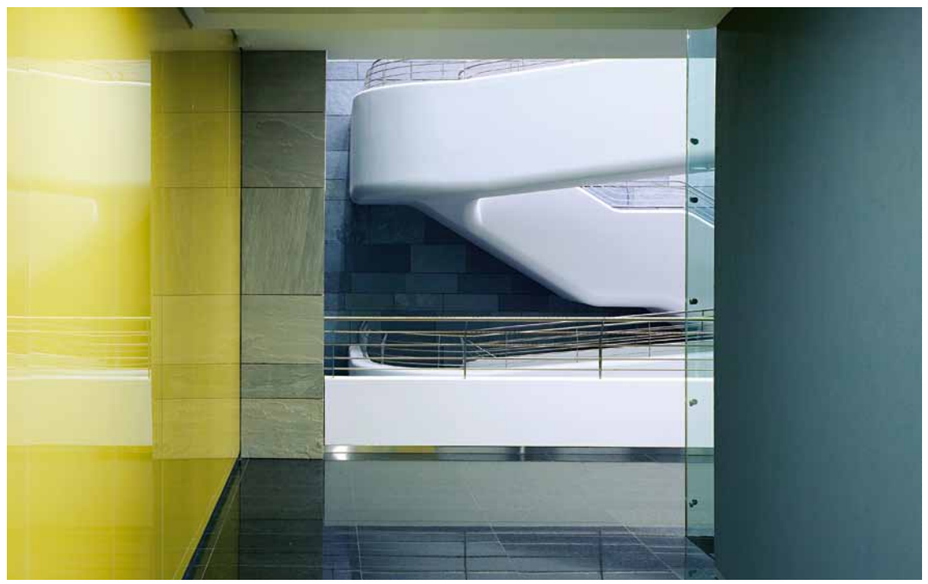
China

Following the acquisition of majority stakes in our existing Chinese distribution business and the establishment of a second trading company we proceeded to report our Chinese sales separately with effect from 1 January 2013. Sales to China amounted to EUR 34.9 million (US$ 46.3 million) in 2013, EUR 28.8 million (US$ 38.5 million) higher than in 2012 partly as a result of the change of the business model and partly due to preshipments realised during the first half 2013 in the amount of EUR 9.5 million. Turnover of CAVINTON, BROMOCRIPTIN and PANANGIN contributed to the sales levels recorded.

Rest of the World

Sales in these countries amounted to EUR 50.8 million (US$ 67.5 million) in 2013, an increase of 1.2 percent (4.7 percent in US$ terms) when compared to 2012.

Notable sales levels in 2013 were achieved in Vietnam (EUR 8.5 million), in Switzerland (EUR 5.1 million) and in Serbia (EUR 5.0 million).



Female Healthcare

In recognition of the strategic importance to the Company of this therapeutic area a brief presentation of the Female Healthcare (FH) franchise is presented below. This therapeutic area includes the following product groups and therapeutic indications: oral contraceptives (OC), emergency contraceptives (EC), contraceptive devices (CD); menopausal care, pregnancy care and obstetrics, gynaecological infections, and other gynaecological conditions, including the treatment of uterine myomas.

Female Healthcare sales by region

	2013 HUFm	2012 HUFm	Change HUFm	Change %	2013 EURm	2012 EURm	Change EURm	Change %
Hungary	**4,865**	**4,486**	**379**	**8.4**	**16.4**	**15.5**	**0.9**	**5.8**
EU [1]	**42,379**	**37,276**	**5,103**	**13.7**	**142.8**	**128.9**	**13.9**	**10.8**
Poland	4,499	4,073	426	10.5	15.2	14.1	1.1	7.8
Romania	2,022	2,110	-88	-4.2	6.8	7.3	-0.5	-6.8
EU 10 [2]	7,551	7,274	277	3.8	25.4	25.1	0.3	1.2
EU 15	28,307	23,819	4,488	18.8	95.4	82.4	13.0	15.8
CIS	**31,391**	**29,695**	**1,696**	**5.7**	**105.7**	**102.7**	**3.0**	**2.9**
Russia	24,940	22,840	2,100	9.2	84.0	79.0	5.0	6.3
Ukraine	3,158	3,207	-49	-1.5	10.6	11.1	-0.5	-4.5
Other CIS republics	3,293	3,648	-355	-9.7	11.1	12.6	-1.5	-11.9
USA	**13,198**	**15,459**	**-2,261**	**-14.6**	**44.5**	**53.5**	**-9.0**	**-16.8**
China	**3,951**	**607**	**3,344**	**550.9**	**13.3**	**2.1**	**11.2**	**533.3**
Rest of the World	**8,406**	**7,084**	**1,322**	**18.7**	**28.3**	**24.5**	**3.8**	**15.5**
Total	**104,190**	**94,607**	**9,583**	**10.1**	**351.0**	**327.2**	**23.8**	**7.3**

Notes: [1] All Member States of the European Union, except for Hungary.
[2] Restated to include Croatia following its accession to the EU on 1 July 2013.

Hungary

In Hungary FH sales totalled HUF 4,865 million (EUR 16.4 million) in 2013, representing an increase of 8.4 percent (5.8 percent in EUR terms) compared to the levels reported in 2012. Having received reimbursed status on a 90 percent reimbursement basis, sales of ESMYA® were initiated in Hungary in February 2013.

European Union

FH sales in the European Union, excluding Hungary, amounted to EUR 142.8 million in 2013, representing an increase of EUR 13.9 million (10.8 percent) when compared to 2012.

Sales of FH products represented 46 percent of the turnover in this region in 2013.

FH sales in Poland increased by 7.8 percent totalling PLN 63.5 million (EUR 15.2 million) in 2013, while in Romania sales decreased by 7.5 percent and amounted to RON 30.1 million (EUR 6.8 million) during the same period.

In the EU10 region FH sales totalled EUR 25.4 million in 2013, 1.2 percent higher when compared to 2012. With respect to FH sales the EU10 countries altogether represented 18 percent of the Group's FH sales recorded in the EU.

In the 'traditional' 15 EU Member States FH sales amounted to EUR 95.4 million 2013, showing a 15.8 percent growth in EUR terms over the levels recorded in 2012. The year on year increase was primarily due to higher sales levels of recently launched OCs and our original product, ESMYA®, which recorded a turnover of EUR 10.1 million in these countries during the reported period. This region contributed 67 percent of total FH sales recorded in the EU.

In Germany Richter Group reported gynaecological sales of EUR 49.5 million, representing a EUR 4.9 million increase compared to 2012.

In France the Group's turnover arising from FH products amounted to EUR 9.8 million in 2013.

CIS

FH sales to the CIS in 2013 totalled EUR 105.7 million representing an increase of 2.9 percent over the sales levels achieved in previous year. Sales of ESMYA® commenced in Russia in the second quarter 2013.

Turnover of gynaecological products represented 22 percent of total CIS sales in the reported period.

USA

FH sales in the USA totalled US$ 59.1 million (EUR 44.5 million) in 2013, a 14.0 percent decline (16.8 percent in EUR terms) when compared to previous year.

Sales of FH products, including the profit sharing related to drospirenone, represented 92 percent of US sales.

China

Following the acquisition of majority stakes in our existing Chinese distribution business and the establishment of a second trading company we proceeded to report our Chinese sales separately with effect from 1 January 2013. Sales of FH totalled EUR 13.3 million in the reported period, EUR 11.2 million higher than in 2012.

Rest of the World

FH sales in these countries amounted to EUR 28.3 million (US$ 37.6 million) in 2013, an increase of 15.5 percent (19.5 percent in US$ terms) compared to 2012.

e) Corporate Social Responsibility

Aware of the Company's responsibility to society in general Richter's management pays high attention towards Corporate Social Responsibility (CSR). The practice of CSR is nowhere more essential than in the field of health-care. For us being a responsible entity means pursuing business success by developing products and policies that address patients' needs and benefit wider society. Richter boasts more than 110 years of ethical and responsible business practices. We operate in a way that reflects our values, seeks to understand stakeholder views and connects our business decisions to ethical, social and environmental concerns. In this way we aim to minimize the negative impacts and maximize the positive benefits of our business.

The three elements of sustainability – social, environmental and economic – are interdependent. We will not be successful in the long term without meeting our environmental and social responsibilities. Equally, we cannot contribute to society and environmental protection without economic success.

At Richter, we seek to deliver sustainable business growth and value by:

- managing our business responsibly, with high levels of corporate governance;
- creating high-quality, rewarding employment;
- valuing our employees and protecting their safety;
- ensuring access to our products for those who need them;
- reducing the environmental impacts of our products and operations;
- supporting community-based projects and encouraging innovation in science.

Richter's management has always believed that it is pivotal for the company to comply with all relevant national and international legislation, including the rules and guidelines issued by public institutions such as the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA). Gedeon Richter has established policies and procedures to ensure responsible business ethics and in specific areas it recognises that is important to maintain higher ethical standards than those required by local legislation.

Environmental Policy

At Richter environmental considerations are an integral part of decision-making processes and the focus is always on prevention. Our more than 110 year history together with pharmaceutical manufacturing experience and wide-ranging scientific expertise is combined with modern technical, health and safety requirements together with the exacting quality standards of today.

Pharmaceutical manufacturing carries a number of risks. In the course of pursuing our investments and development projects, we pay particular attention to ensuring that the environmental protection tasks related to our operations are carried out responsibly by using modern technology and continuously minimising the environmental footprint of our activities. All three of our main manufacturing sites in Hungary possess IPPC (Integrated Pollution Prevention and Control) permits.

Environmental Management Systems at the Company meet all requirements of ISO 14001:2004 standards. We are pleased to report that as a result of the latest audit the Company was successfully re-certified in 2013 for a further three years.

As part of the finalisation of the action plan for soil and groundwater decontamination works initiated in 2012 in Dorog, ground water production wells have been established during 2013.

The Municipality of Dorog issued revised and improved noise limits for Richter and at the same time approved the required noise reduction program. The upgrade of the sewage system at this site continued during 2013.

In Budapest according to the recently approved water rights operating permit, a cyclical maintenance programme was prepared at the Company aimed at the technical check of the sewage system. The replacement of the current cooling equipment, which provides the Freon based cooling for the fermentation plant has been initiated in 2013.

Health and Safety at Work

Much of the work performed at the company involves the use of hazardous chemicals. These circumstances demand a highly responsible attitude towards safety at work in order to minimise the risks arising from these potential hazards.

Work Health and Safety Management System

Work safety is dependent on the technical state of working tools and equipment, and the conduct displayed by employees at work. The latter includes management's awareness of safety issues, and naturally the professional skills of the workers themselves.

Our Health and Safety Management System (HSMS) in compliance with OHSAS 18001:1999 standard, was officially certified at the beginning of 2006, making Gedeon Richter the first Hungarian pharmaceutical company to obtain this type of assurance. As a result of the recent audit with the more stringent criteria of OHSAS 18001:2007 the Company was successfully re-certified in 2012 for a further three years. The audit held in 2013 justified its conformity to the relevant standard. The system is structured similarly to the related quality assurance (GMP) and environmental (ISO 14001) systems, but operates independently of them.

Modernisation of the equipment in the Safety Laboratories both in Budapest and in Dorog, took place in 2013.

The management of Richter is committed to the perpetual improvement of the organization's health and safety performance, to compliance with current legislation and other requirements and to the prevention of occupational injuries and illnesses. It is the responsibility of work supervisors to familiarise themselves with the risks of a given job and to manage and oversee work processes accordingly. It is both the right and obligation of workers to demand safe working conditions and to comply with the health and safety at work regulations.

The representation of employees' interests with respect to occupational health and safety is performed by elected safety officers who are also members of the Safety Committee.

Practical Implementation

Richter pays particular attention to creating a safe workplace environment. Continuous improvement to technological standards in all of our plants, ongoing training in the field of safety and regular reviews of safety procedures are all factors taken into account in this initiative.

Special precautions are taken in the case of tasks that involve the use of potentially hazardous materials. We make every effort to minimise the exposure of our employees to risks, and accordingly we are doing all we can to replace dangerous materials with less hazardous equivalents. We are committed to ensuring the safety of our employees through the use of closed technology wherever possible. If this is not feasible, then we implement appropriate special protective measures. To ensure the early detection of any signs of possible damage to health, our employees undergo regular medical checkups, and, as a preventive action, occupational risks are revealed through on-site measurements carried out by the Safety Laboratory. We apply a multi-tiered risk management process, with the most important prevention and action plans managed at project level, within a framework of a system of targets and programs. In order to meet the requirements established by European Union legislation (REACH and CLP) related to the registration and labelling of chemicals used in production processes, an execution strategy has been developed. According to this we submitted our first dossier for an own developed AI intermediate. Further submissions have been prepared relating to an additional 12 other AI intermediates during the reported period.

Our fire protection policy places particular emphasis on prevention. This includes a network of sensors covering the entire premises ensuring the early detection of any possible signs of fire that may nonetheless break out.

An engineering team at the Company is responsible for ensuring that potentially dangerous machines and appliances are safe to use and comply with authority regulations.

According to a resolution of the relevant Authority the site in Vecsés has been rated as 'Lower Tier' under the SEVESO II Directive. To comply with the new regulation, disaster prevention documentation was submitted for approval in 2013.

No fatal accidents or other serious work related injuries occurred at any of our facilities during 2013.

Community Involvement

The management of Richter have 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 Richter supports projects in the areas of healthcare, science, education and environmental protection in line with its mission of improving health and the quality of life. The Company provides substantial support to healthcare institutions and organizations established with the aim of taking care of patients.

To encourage young people's interests we sponsor a wide range of science-based school programmes, including chemistry education in secondary schools and university programmes both in Hungary and abroad. Special agreements have been concluded with universities of natural sciences in order to support specific education and research activities.

For talented and ambitious PhD students, we provide scholarships via the so called 'Talentum Foundation', which was established by the Company. The scope of the Foundation has been widened in order to include secondary school students, thereby providing future career opportunities for them.

f) People

Changes in the pharmaceutical sector over the past decade have made inevitable the transformation of our business model to one that is more innovative. In order to be effective within an external environment of growing complexity and change with exponential speed we require highly skilled, passionate and motivated people.

We work to achieve this by:

- developing our people at all levels to realise their full potential;
- offering an inclusive culture that draws on the diverse skills, background and knowledge of every employee;
- identifying our internal and external talent – those who have the right skill sets for current and future business requirements.

Together our activities improve our ability to solve problems, discover innovative solutions and enhance effectiveness and performance of our teams and leaders. Inclusion supports engagement, which in turn fosters pro-

ductivity and creativity. Our experience and numerous studies show that employee engagement is a key driver of employee wellbeing, as well as better individual and business performance. For these reasons we constantly seek new opportunities to engage our employees and drive innovation.

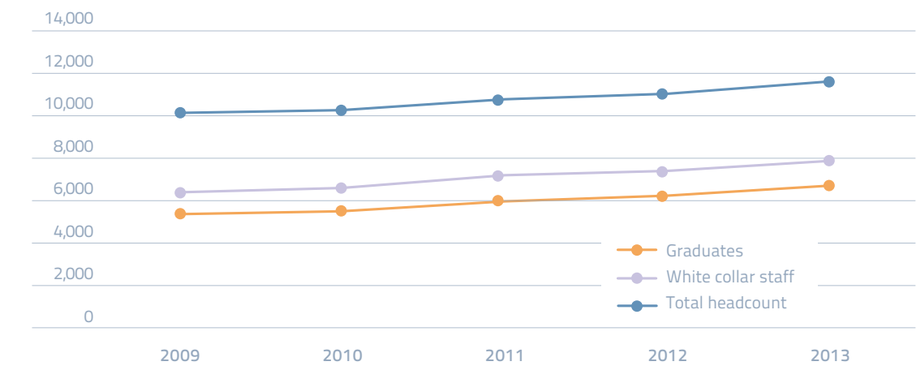
With more than 11,000 employees, we value the diverse skills and capabilities that a workforce with different cultural backgrounds brings to our business. We work continuously to align these skills and capabilities with strategic and operational needs.

Employees

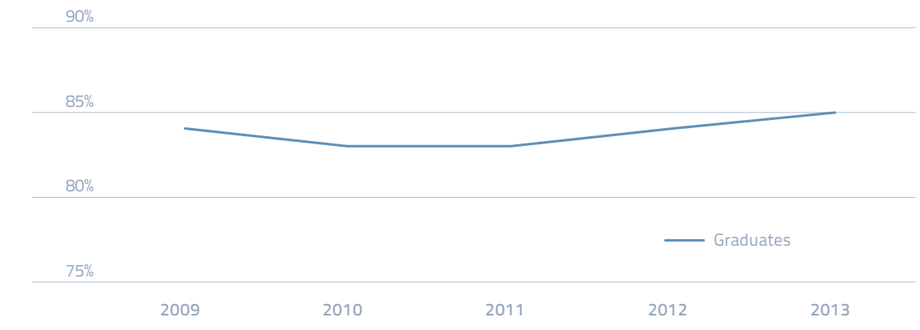
The total headcount for the Group was 11,647 at the end of 2013, a 4.9 percent (544) increase when compared with 2012. The growth was primarily due to the increasing number of personnel in the field of sales and marketing both in Western Europe and in China.

The proportion of skilled employees at the Group increased to 6,660 at the end of 2013, from 6,217 reported in 2012. The graduate educated personnel represented 85 percent of white collar staff and 57 percent of the total number of employees at the Group.

Number of staff



Proportion of graduates*



Note: * Within the white collar staff at the Group.

Recruitment and Individual Development

Recruiting, retaining and developing our employees were also critical activities in 2013, in order to enhance and sustain our performance. Proactive talent acquisition initiatives underpin our ability externally to attract specialist and leadership talent.

In the recruiting process we pay high attention to the selection of those candidates whose professional skills and experiences are expected to contribute the most to Richter's success and whose career plans and attitudes are expected to fit with the Company's corporate culture.

Most available positions are posted on our careers website. We are convinced that using the web enables us to reach far more people than through any other media for recruitment. This facility is also available to existing employees via our careers intranet site. We encourage employees to develop their careers within Richter rather than looking outside the Company. We want all our employees to achieve their full potential and at the same time strengthen our business.

A Welcome Programme for young Employees aims at giving an insight into the organisation of Richter, its activities, company culture and values.

Employees receive regular feedback on their performance and meet with their managers to discuss development opportunities and their career goals. This annual performance and development planning process ensures that employees set business aligned objectives and behavioural goals and helps them identify the training they need to develop their careers.

We encourage and support all our people in fully developing their capabilities with a range of high quality learning and development opportunities. We offer training programmes, including coaching, languages and other courses to ensure employees have the skills needed in our business. The Company makes special efforts to assist scientific and professional education and postgraduate training. To encourage personal development the Company continued during 2013 to support employees to participate in university education, including PhD courses.

To support innovation and knowledge sharing within our Group in 2013 we organised again the competition called RITA (Richter Innovation and Knowledge Base Archive) which encourages and rewards those with innovative ideas. RITA has clearly demonstrated how efficiently innovation and teamwork can encourage and motivate people at our Company.

Developing Leaders

Since we need good succession planning not just for senior roles but for all critical positions across the organisation we maintain a well established leadership strategy to identify and develop our highly skilled candidates and use a systematic and disciplined approach to leadership development.

Currently we have three leadership programs running:

Well established management training programmes involving all managers of the Company both at middle and senior levels were ongoing in 2013. Based on the results of the Leadership Competence Assessment programme, all managers designed their personal coaching programme and identified the key areas for further improvement. For those managers appointed within the last three years a special manager training programme was implemented so as to identify and develop management skills and self-knowledge.

Our career development program, started in 2006, which focuses on further development of high potential management talent continued in 2013. A comprehensive competence assessment was provided for those colleagues who participated in this programme as a potential option to develop their self-knowledge. It is pleasing to report that approximately 20 percent of the participants have been promoted to new management positions during the development programme. New candidates have been admitted to this programme in each year since its inception.

In 2011 we enhanced a system which presents professional development opportunities within the Company offering future career opportunities for new entrants and existing employees alike. Initially we introduced this system for graduate educated personnel in four departments in 2012, and based on the experience gained we expanded the system across the whole Company during 2013.

Remuneration and Other Employee Programmes

Compensation philosophy at Richter is based on the Company's commitment to a performance culture. Performance based salary, share awards, other forms of allowances as well as career development planning, various training activities and continuing education all contribute to the retention of key talent, superior performance and the accomplishment of business targets.

We focus on the health factors that enable employees to perform at the highest level by sustaining energy and engagement. A two-year employee health programme wholly financed by the Company was completed in 2013.

All employees can participate in this wide-ranging medical programme which aims to minimise 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 including sport and recreational opportunities at the Company are planned to promote physical and psychological welfare and to help employees cope with demanding roles.

With the aim of improving the efficiency of Human Resources activities within the Group, special meetings were organized by the Human Resources Department at individual subsidiaries. The main topics of these meetings included the review of the current HR policies of the Group and identification of those areas which may require further development. Additionally, in order to optimise the cooperation of different departments at the Company and increase their efficiency we initiated organisational development projects.

2. Wholesale and Retail

Richter Group is active in two major business segments, primarily Pharmaceuticals comprising the research and development, manufacturing and marketing of pharmaceutical products and also engaged in the Wholesale and Retail of these products. These latter activities are mainly focused in Romania although the Group has also built up retail businesses in certain CIS republics.

Pharmafarm is the Romanian wholesaler belonging to Richter Group. Gedeon Richter Farmacia is our major retail operation. Altogether 120 pharmacy units support the promotion and sale of Richter products in Romania.

Sales

Sales amounted to EUR 180.4 million in 2013, an increase of 13.0 percent compared to the previous year.

Our Romanian subsidiaries realised 72 percent (RON 572.8 million) of the turnover in the Wholesale and Retail segment, with the remainder primarily being invoiced by our subsidiaries in the CIS region. The sales increase in Romania was 14.6 percent in RON terms (15.6 percent in EUR terms) in 2013. A slow reduction in payment delays continued on the Romanian pharma market during the second half 2013, although excessive delays continue to prevail in the sector.

Wholesale and retail sales

	2013 HUFm	2012 HUFm	Change %	2013 EURm	2012 EURm	Change %
Hungary	215	407	-47.2	0.7	1.4	-50.0
Romania	38,491	32,448	18.6	129.7	112.2	15.6
CIS	11,662	10,097	15.5	39.3	35.0	12.3
RoW	3,163	3,214	-1.6	10.7	11.1	-3.6
Total	**53,531**	**46,166**	**16.0**	**180.4**	**159.7**	**13.0**

3. Group Figures

The activities of Richter are presented in this Annual Report along three operating segments. Those subsidiaries of the Group that are engaged in the core activities of research and development together with manufacturing and marketing and sale of pharmaceutical products have been classified as the Pharmaceutical segment. The performance of those distributor and retail subsidiaries that represent the distribution chain in some of our markets and facilitate our products reaching final buyers are presented under the Wholesale and Retail segment. Finally, the Other segment relates to the business of those group members that do not belong to any of the above segments. These companies provide services to group members belonging to the Pharmaceutical segment.

a) Business Segment Information

Business segment information

	Pharmaceuticals HUFm		Wholesale and retail HUFm		Other HUFm		Eliminations HUFm		Group total HUFm	
	2013 Audited	2012* Audited	2013 Audited	2012 Audited	2013 Audited	2012 Audited	2013 Audited	2012 Audited	2013 Audited	2012* Audited
Total revenues	304,629	286,479	53,531	46,166	4,832	3,888	(11,568)	(9,831)	351,424	326,702
Gross profit	**212,819**	**195,096**	**5,955**	**5,480**	**1,390**	**1,431**	**(72)**	**(304)**	**220,092**	**201,703**
Profit from operations	46,777	50,401	(912)	(1,334)	115	(116)	(411)	(255)	45,569	48,696
Share of profit of associates	-	-	763	342	-	-	-	-	763	342
Number of employees at period end	9,864	9,294	1,460	1,451	323	358	-	-	11,647	11,103

Note: *Restated to comply with changes to IAS 19.

b) Consolidated Turnover

Sales by region

	2013 HUFm	2012 HUFm	Change HUFm	Change %	2013 EURm	2012 EURm	Change EURm	Change %
Hungary	31,368	30,932	436	1.4	105.7	107.0	-1.3	-1.2
EU [1]	126,727	116,803	9,924	8.5	427.0	404.0	23.0	5.7
Poland	22,000	22,622	-622	-2.7	74.1	78.2	-4.1	-5.2
Romania	44,199	37,984	6,215	16.4	148.9	131.4	17.5	13.3
EU 10 [2]	23,756	23,188	568	2.4	80.1	80.2	-0.1	-0.1
EU 15	36,772	33,009	3,763	11.4	123.9	114.2	9.7	8.5
CIS	151,174	143,975	7,199	5.0	509.3	498.0	11.3	2.3
Russia	99,897	97,397	2,500	2.6	336.6	336.9	-0.3	-0.1
Ukraine	21,351	19,731	1,620	8.2	71.9	68.2	3.7	5.4
Other CIS republics	29,926	26,847	3,079	11.5	100.8	92.9	7.9	8.5
USA	14,293	16,123	-1,830	-11.4	48.1	55.8	-7.7	-13.8
China	10,352	1,769	8,583	485.2	34.9	6.1	28.8	472.1
Rest of the World	17,510	17,100	410	2.4	59.0	59.2	-0.2	-0.3
Total	351,424	326,702	24,722	7.6	1,184.0	1,130.1	53.9	4.8

Notes: [1] All Member States of the European Union, except for Hungary.
[2] Restated to include Croatia following its accession to the EU on 1 July 2013.

c) Key Financial Data

Key financial data

	2013 HUFm	2012 [4] HUFm	Change %	2013 EURm	2012 [4] EURm	Change %
Total revenues	351,424	326,702	7.6	1,184.0	1,130.1	4.8
Gross profit	220,092	201,703	9.1	741.5	697.7	6.3
Gross margin %	**62.6**	**61.7**		**62.6**	**61.7**	
Profit from operations	45,569	48,696	-6.4	153.5	168.4	-8.8
Operating margin %	**13.0**	**14.9**		**13.0**	**14.9**	
Profit before income tax	43,640	49,896	-12.5	147.0	172.6	-14.8
Profit for the year	42,431	49,055	-13.5	143.0	169.7	-15.7
Net margin %	**12.1**	**15.0**		**12.1**	**15.0**	
EPS (HUF, EUR) [1][2]	229	264	-13.1	0.77	0.91	-15.4
Total assets and total equity and liabilities	716,467	672,237	6.6	2,413.2	2,307.7	4.6
Capital and reserves [3]	551,196	520,074	6.0	1,856.5	1,785.3	4.0
Capital expenditure	33,647	29,677	13.4	113.4	102.7	10.4
Number of employees at year-end	11,647	11,103	4.9			

Notes: [1] EPS calculations were based on the total number of shares issued.
[2] Restated to in order to reflect the impact of the share split realized in July 2013.
[3] Includes minority interest.
[4] Restated to comply with changes to IAS 19.

d) Profit and Loss Items

Sales amounted to HUF 351,424 million (EUR 1,184.0 million) in 2013, a 7.6 percent increase in HUF terms (4.8 percent in Euro terms) when compared to 2012. A positive performance was recorded in a number of key export markets.

2013 total sales were impacted by a notable 9 percent weakening of the Russian Rouble against the Hungarian Forint which impacted negatively proceeds and margins originating from that market.

Cost of sales amounted to HUF 131,332 million (EUR 442.5 million) in 2013, an increase of HUF 6,333 million (EUR 10.1 million) when compared to 2012. Amortization relevant to European markets of the acquired intangible asset ESMYA® amounted to HUF 2,441 million in 2013.

Gross profit totalled HUF 220,092 million (EUR 741.5 million) in 2013, an increase of HUF 18,389 million (EUR 43,8 million) over the levels reported for 2012.

Gross margin in 2013 at 62.6 percent increased from the 61.7 percent level achieved in the previous year. The increase in the share of the own developed products against licensed-in drugs and an above average increase of sales originating from certain other CIS countries, Ukraine and China had a positive impact on the gross margin. These factors more than offset further erosion of sales experienced on the relatively high margin US market, the impact of the depreciation of the Russian rouble which occurred in the second half 2013 and an increased share of turnover in the lower margin Wholesale and retail business.

Sales and marketing expenses amounted to HUF 106,999 million (EUR 360.5 million) in 2013, a 15.3 percent (12.3 percent in Euro terms) increase compared with 2012. The proportion to sales of S&M expenses was 30.4 percent in the reported period. Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal in the amount of HUF 4,377 million represented 1.2 percent of sales achieved in the reported year. Adjusting for the above amortization costs S&M expenses represented 29.2 percent of turnover.

Sales and marketing costs were significantly higher when compared to the previous year primarily due to the costs of further expanding our female healthcare sales network in Western Europe together with marketing and promotion costs related to the launch of ESMYA®. The channeling of the sales and marketing activities through our subsidiary in China also contributed to the higher level of such costs.

The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 185 million in 2013. In accordance with the most recent changes to the regulations we were able to offset the tax payable in 2013 on this ground by 90 percent of tax liability of the same kind incurred during 2012.

Administrative and general expenses totalled HUF 19,393 million (EUR 65.3 million) in 2013, representing a 3.9 percent (6.4 percent in Euro terms) decrease when compared with the levels recorded in the previous year. The base period figure included time proportional liabilities associated with medium term PregLem management incentive schemes; these created a high base through the payment of a one-off bonus related to the European marketing approval of ESMYA®.

Research and development costs represented 11.9 percent of sales and increased by 8.0 percent (5.2 percent in EUR terms) to HUF 41,953 million (EUR 141.4 million) during the reported period. These costs primarily include the ongoing clinical trials being carried out in co-operation with Forest Laboratories. R&D expenses of the Group also include such costs of PregLem and Richter-Helm BioTec.

Other income and other expenses increased to an expense of HUF 6,178 million (EUR 20.8 million) in 2013 when compared to an expense of HUF 1,184 million (EUR 4.1 million) recorded in the previous year. A detailed explanation of the factors leading to such a substantial increase of the expenses is provided as follows:

Milestone incomes realized in 2013, although lower than in the previous year, amounted to more than USD 10 million. In the first quarter 2013 Richter received a milestone payment from Forest Laboratories in respect of the submission to the FDA of a new drug application related to cariprazine the amount of which was comparable to milestone incomes received in 2012. However, the combined amount of milestone income received in the rest of 2013 was significantly lower than that received in the same period of 2012.

The 20 percent tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 346 million (EUR 1.2 million) in 2013 while in Romania manufacturing companies of the Richter Group were required to pay RON 11.4 million (EUR 2.6 million) based on the turnover of reimbursed drugs as recorded by the authorities in respect of 2013. As a consequence liabilities in these two countries decreased by HUF 0.2 billion (EUR 0.8 million) when compared to the previous year. Nevertheless the overall level of claw-back related liabilities in Germany increased by HUF 1.4 billion (EUR 4.6 million) and amounted to HUF 2.7 billion (EUR 9.1 million) during the reported year. As a result our overall claw-back related liabilities increased substantially, by HUF 1.2 billion (EUR 3.7 million) during 2013.

Impairment losses on Intangible assets and licenses increased by the end of 2013 significantly from HUF 0.7 billion (EUR 2.4 million) realized in 2012 by HUF 1.7 billion (EUR 5.7 million) and amounted to HUF 2.4 billion (EUR 8.1 million). Such impairment loss was primarily due to the termination of PregLem PGL2 research project carried out for endometriosis indication, which occurred in the last quarter of 2013. The book value of the license related to the targeted molecule was written off in the amount of HUF 1.5 billion (EUR 5.1 million).

Post-sales rebates conceded to wholesalers in Russia were accounted in the value of HUF 0.9 billion, while impairment losses recorded on goodwill and licenses on Romanian pharmacies amounted to HUF 0.4 billion.

Profit from operations decreased by 6.4 percent in HUF terms and amounted to HUF 45,569 million while in EUR terms it decreased by 8.8 percent to EUR 153.5 million in 2013. The decline resulted from the increasing level of Other expenses together with S&M and R&D costs which more than offset both turnover and gross margin improvements. Profit from operations was HUF 3,069 million lower than previously reported in the M12 2013 Report mainly as a result of the increase in Other expenses.

Consolidated operating margin in the reported period was 13.0 percent, a 1.9 percentage point lower than the level reported in 2012. Milestone incomes at a lower level in 2013 when compared to the base year impacted negatively the operating margin in the reported period by an approximately 0.8 percentage point.

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

Net financial income

	2013 HUFm	2012 HUFm	Change HUFm	2013 EURm	2012 EURm	Change EURm
Unrealised financial items	**-5,892**	**5,745**	**-11,637**	**-19.9**	**19.9**	**-39.8**
Reassessment of currency related trade receivables and trade payables	-2,305	3,912	-6,217	-7.8	13.5	-21.3
Reassessment of currency loans	15	-81	96	0.1	-0.3	0.4
Reassessment of credit	-1,001	4,191	-5,192	-3.4	14.5	-17.9
Reassessment of other currency related items	-1,709	982	-2,691	-5.8	3.5	-9.3
Unwinding of discounted value related to liability in respect of PregLem	-1,026	-3,004	1,978	-3.4	-10.4	7.0
Result of unrealised forward exchange contracts	216	-255	471	0.7	-0.9	1.6
Impairment losses at investments	-82	-	-82	-0.3	-	-0.3
Realised financial items	**3,200**	**-4,887**	**8,087**	**10.8**	**-16.9**	**27.7**
Result of realised forward exchange contracts	-224	-138	-86	-0.8	-0.5	-0.3
Exchange losses realised on trade receivables and trade payables	-2,345	-3,905	1,560	-7.9	-13.5	5.6
Exchange gains/losses on conversion	314	-3,379	3,693	1.1	-11.7	12.8
Dividends	973	308	665	3.3	1.0	2.3
Interest income	4,068	4,652	-584	13.7	16.1	-2.4
Interest expense	-1,560	-1,805	245	-5.3	-6.2	0.9
Other	1,974	-620	2,594	6.7	-2.1	8.8
Net financial income/(loss)	**-2,692**	**858**	**-3,550**	**-9.1**	**3.0**	**-12.1**

The net financial expense in 2013 totalled HUF 2,692 million (EUR 9.1 million), reflecting a decrease of HUF 3,550 million (EUR 12.1 million) when compared to a net financial income of HUF 858 million (EUR 3.0 million) reported in 2012.

At the end of each reporting period foreign currency related assets and liabilities are routinely reassessed with the change in value being reflected as unrealised financial items. The total impact of such reassessments amounted to a loss of HUF 5,000 million (EUR 16.9 million) at the end of 2013, a decrease of HUF 14,004 million (EUR 48.1 million) when compared with the HUF 9,004 million (EUR 31.2 million) income reported in 2012. These reassessment losses resulted from re-evaluation of currency loans and trade receivables the latter being impacted by a significantly weaker RUB/HUF period-end exchange rate. We also accounted for a HUF 1,026 million (EUR 3.4 million) expense in respect of an unwinding of discounted value related to a liability in respect of PregLem.

Financial income on realised financial items amounted to HUF 3,200 million (EUR 10.8 million) in 2013 when compared to a loss of HUF 4,887 million(EUR 16.9 million) reported in the previous year. It resulted partly from net interest income (HUF 2,508 million, EUR 8.4 million), partly from exchange gains on securities (HUF 1,942 million, EUR 6.5 million) partly from dividend income (HUF 973 million, EUR 3.3 million) together with exchange gains on conversion (HUF 314 million, EUR 1.1 million) being offset by exchange losses realised on trade receivables and trade payables (HUF 2,345 million, EUR 7.9 million). Exchange differences arising on trade receivables and payables in the intra-Group transactions (initially reported in the Statement of Comprehensive Income) were now restated as financial items.

In June 2013 Richter made a repayment of EUR 100 million ahead of schedule in respect of the club credit facility. Outstanding liabilities of the Company are EUR 50 million in respect of the club credit facility and EUR 150 million in respect of the EIB credit.

Share of profit of associates amounted to a HUF 763 million (EUR 2.6 million) in 2013.

Profit before income tax amounted to HUF 43,640 million (EUR 147.0 million) in 2013, a decrease of HUF 6,256 million (EUR 25.6 million) when compared with 2012. Profit before income tax was lower by HUF 4,295 million than previously reported in the M12 2013 Report.

With effect from 1 January 2012 the period of 100 percent Income tax allowance ended for Gedeon Richter Plc leaving the Parent company subject to statutory income taxation in Hungary after providing for the deduction of expensed R&D costs from the tax base. In addition, in 2012, 2013 and 2014 the parent company is entitled for a further tax allowance related to the development of the biosimilar manufacturing unit in Debrecen. All other companies of the Group are subject to the statutory tax regulations in effect in their respective countries of incorporation. The balance of corporate and deferrad taxes was significantly improved by changes incurred in the amount of deferred taxes at PregLem during the based period.

Based on the most recent plans of PregLem the tax loss carried forward will be utilized later, after the cantonal tax holiday expires. This event caused that the net deferred tax liability of the Company decreased significantly similar to the base period when balance of the deferred tax also improved significantly because of the restructuring of the PregLem/Esmya business.

Profit for the year was HUF 42,431 million (EUR 143.0 million), HUF 6,624 million (EUR 26.7 million) lower than the profit after taxation realised in 2012.

The above Profit after taxation includes income from Non-controlling interests, the balance of which amounted to a HUF 335 million (EUR 1.1 million) loss during 2013.

Profit attributable to owners of the parent does not materially differ from profit after taxation and decreased by HUF 6,474 million (EUR 26.2 million) during the reported period to HUF 42,766 million (EUR 144.1 million).

Profit attributable to owners of the parent represented 12.2 percent of sales compared with the 15.1 percent for the previous year. Profit attributable to owners of the parent was lower by HUF 1,880 million than previously reported in the M12 2013 Report.

e) Balance Sheet Items

Total assets and total shareholders' equity and liabilities of the Group amounted to HUF 716,467 million on 31 December 2013, HUF 44,230 million, or 6.6 percent higher than the figure for 31 December 2012.

Non-current assets amounted to HUF 417,133 million on 31 December 2013, 10.8 percent above the amount as of 31 December 2012. Goodwill increased as a result of the inclusion of our Chinese acquisition in the accounts. The amount of Other financial assets increased due to higher levels of long term bonds together with a positive change in the fair value of Richter's share in the Russian wholesaler and retail Group, Protek.

Current assets amounted to HUF 299,334 million and increased by HUF 3,539 million (1.2 percent) when compared to the level reported on 31 December 2012 primarily as a result of higher inventory levels. Further factors included the Cash and cash equivalents together with Investments in securities. Cash increased, as Richter drew down the third EIB credit tranche in the value of EUR 50 million in January 2013 and as a result of a positive cash flow generated by operating activities. On the other hand, at the end of the second quarter the Parent company paid back EUR 100 million ahead of schedule from the club credit facility agreed in November 2010. Additionally it proceeded with the payment of dividends in respect of the profit for 2012 as confirmed at the Annual General Meeting.

Capital and reserves of the Group increased by 6.0 percent and amounted to HUF 551,196 million when compared to the balance as at 31 December 2012. Retained earnings increased by HUF 30,450 million and amounted to HUF 499,948 million.

Non-current liabilities of the Group on 31 December 2013 at HUF 89,638 million were HUF 4,727 million lower than the levels as of the end of the previous year. The decline primarily resulted from the partial repayment of the club credit facility mentioned above. The amount of Other non-current liabilities increased during the reported period with the inclusion of acknowledged liabilities related to the Chinese acquisition.

Current liabilities of the Group at HUF 75,633 million on 31 December 2013 were HUF 17,835 million higher when compared to their levels recorded on 31 December 2012 primarily as a result of installments due in respect of the Chinese acquisition.

f) Cash Flow

As indicated by the cash flow statement, during 2013 the Group generated net cash from operating activities of HUF 74,008 million (EUR 249.4 million). Higher levels of cash from operating activities arose mainly as a result of movements in the working capital, notably an increase in payables partially offset by a decrease in inventories. Cash and cash equivalents increased during 2013, partly offset however by a lower level of net cash flow originating from financing activities as there were no proceeds from borrowings, moreover certain debts were repaid during 2013. Important amounts of cash were directed towards capital expenditure and payment of dividends. Overall, cash increased by HUF 5,327 million in 2013 in spite of including a having paid back in June 2013 ahead of schedule to the EIB debt in the value of EUR 100 million.

Cash flow

	2013 HUFm	2012* HUFm
Net cash flow		
From operating activities	74,008	61,834
From investing activities	-35,132	-74,635
From financing activities	-30,819	888
Effect of foreign exchange rate changes	-2,730	-5,233
Increase/(Decrease) in cash and cash equivalents	**5,327**	**-17,146**

Note: *Restated to comply with changes to IAS 19.

g) Treasury Policy

The treasury activities of Richter are co-ordinated and managed in accordance with procedures approved by the Board of Directors. The treasury function of the Parent Company maintains responsibility for the financing of its activities both on the domestic market and abroad and the administration of trade receivables and trade payables. It also manages exchange rate risks relating to the group operations and ensures appropriate financial income via investing temporarily free cash through bank deposits and open-ended funds and government securities.
Considering that approximately 90 percent of the Parent Company turnover is realised in various international currencies, while its costs are incurred mostly in Hungarian forints, operating profit is exposed to numerous currency fluctuations. To manage this exposure, the Board of Directors has approved a strategy of foreign exchange rate exposure risk reduction, in which forward contracts used for hedging purposes are employed. Such contracts have been concluded exclusively by the Parent Company.

Since January 2000 until 2010, Richter has concluded forward exchange contracts to manage its exposure to fluctuations in exchange rates with expiry in first half of 2011. No further forward exchange positions have been opened since 2011 as the FOREX exposure of the Group materially changed with effect from 1 January 2011 when RUB substituted EUR as its invoicing currency in Russia.

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

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

h) Capital Expenditure

Capital expenditure for the Group including payments for intangible assets totalled HUF 33,647 million compared to HUF 29,677 million reported for 2012. Capital expenditure linked to the development of biotechnology R&D facilities and manufacturing site in Hungary was HUF 2,565 million in 2013.

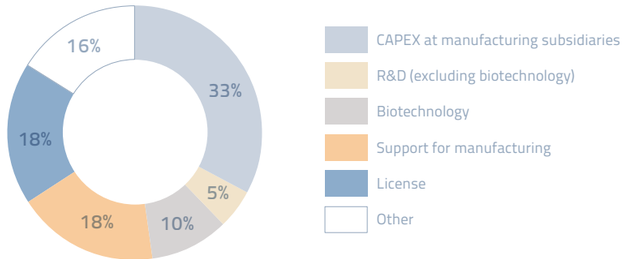
A number of investment programmes, aimed mostly towards capacity maintenance were initiated during 2013 in the manufacturing plants of our traditional product line. Process control system in place at our steroid plant has been gradually replaced. As GMP requirements have been tightened several manufacturing units were adapted to these changes. Significant capital expenditure was directed to the injectable plant, the tabletting facilities and the packaging areas. Planning and execution of a pilot plant dedicated to the development and manufacturing of test batches of a new delivery form, known as intrauterine ring was also commenced at our Budapest site.

From among the various small-scale capital expenditure programs carried out at subsidiaries of the Group it should be highlighted that in line with the announced expansion of our Russian operations following the enlargement of the warehousing capacity we have commenced the creation of interior spaces together with complementary mechanical and electrical works.

Furthermore, special separated premises have been created in Marosvásárhely at our Romanian subsidiary in order to accommodate manufacturing and packaging of hormone containing liquids. EU funds were also granted to build a new R&D facility at the same subsidiary.

Beyond maintenance expenditures a new packaging line and a tabletting machine were put in operation at our Polish subsidiary during the reported year.

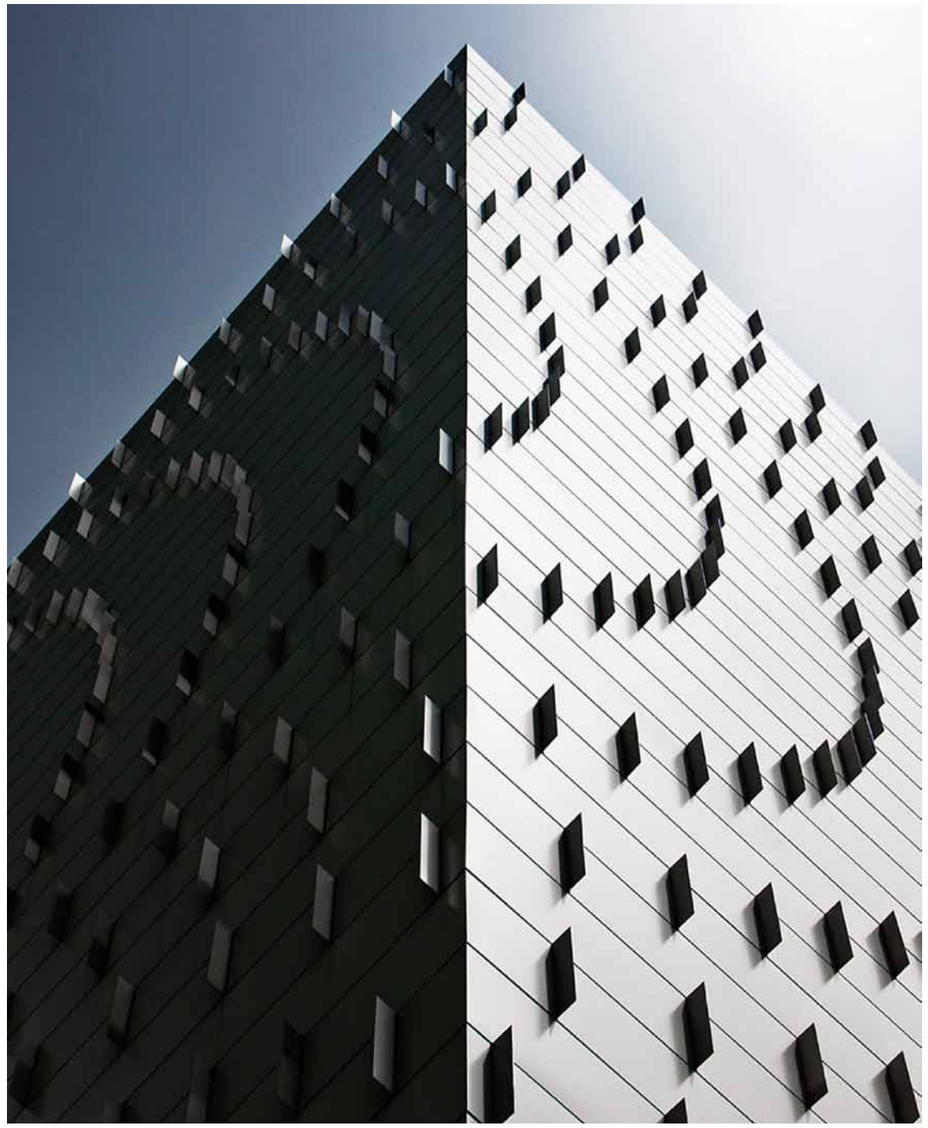
Capital expenditure analysed by function in 2013

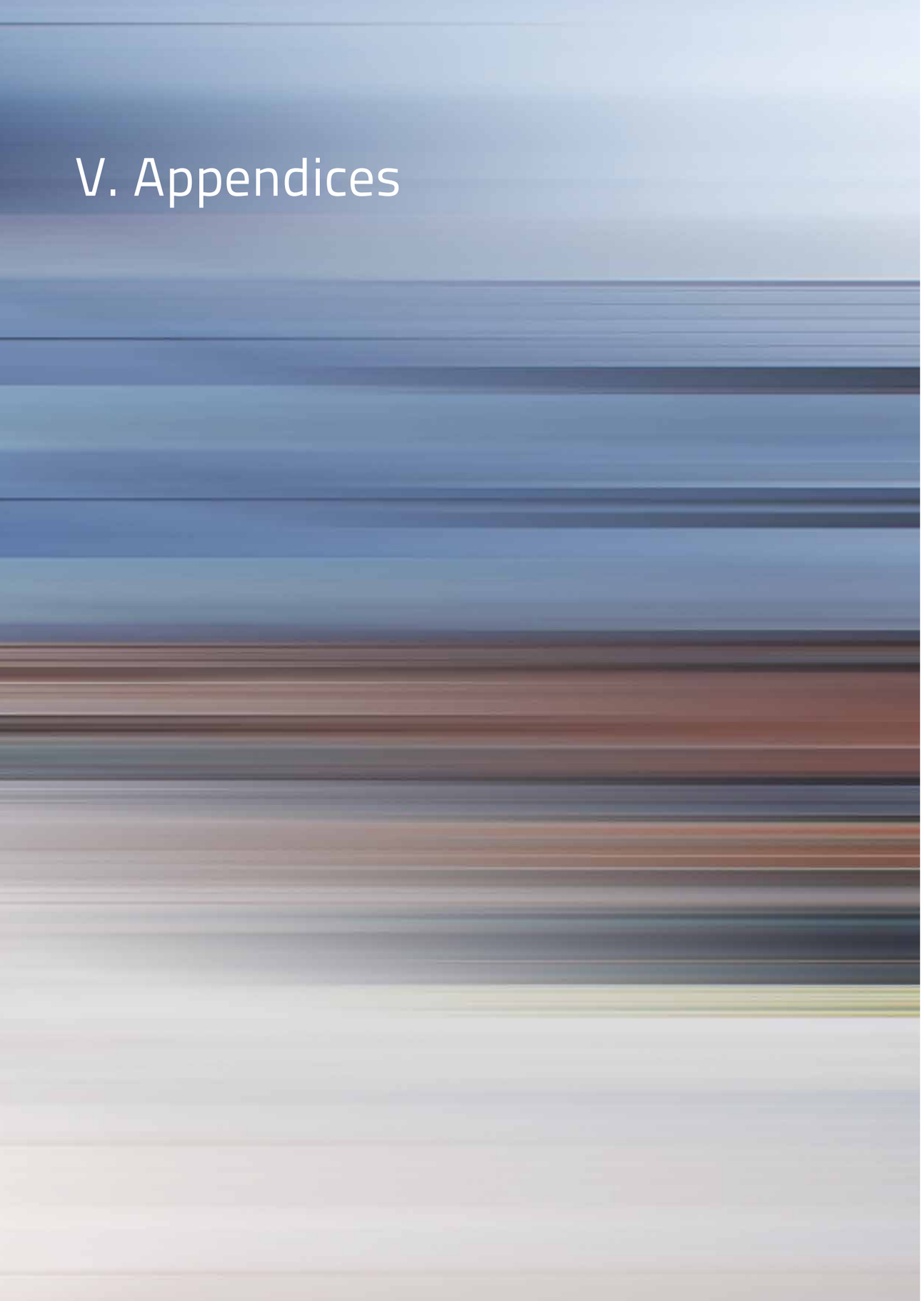


Disclosures

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that the management report, which contains the Group's 2013 results is prepared in accordance with the applicable accounting standards and according to the best of our knowledge. The report above provides a true and fair view of the financial position of Gedeon Richter Plc., comprises the subsidiaries included in the consolidation, contains an explanation of material events and transactions that have taken place during the reported period and their impact on the financial position of Gedeon Richter Plc. and its subsidiaries included in the consolidation.

Erik Bogsch
Managing Director





V. Appendices

Consolidated Financial Record 2009-2013 (1)

Consolidated Income Statement					
Statements of income (HUFm)	**2009**	**2010**	**2011**	**2012 (5)**	**2013**
for the years ended 31 December					
Total sales	**267,344**	**275,312**	**307,868**	**326,702**	**351,424**
Cost of sales	(116,443)	(107,137)	(114,529)	(124,999)	**(131,332)**
Gross profit	**150,901**	**168,175**	**193,339**	**201,703**	**220,092**
Operating expenses and other income and expenses	(98,432)	(105,522)	(132,412)	(153,007)	(174,523)
Profit from operations	**52,469**	**62,653**	**60,927**	**48,696**	**45,569**
Share of profit of associates	52	50	(4,234)	342	763
Net financial income	4,379	5,073	(7,022)	858	(2,692)
Profit before Income tax	**56,900**	**67,776**	**49,671**	**49,896**	**43,640**
Income tax	(1,032)	12	2,696	1,865	2,198
Solidarity tax	(1,897)	-	-	-	-
Local business tax and innovation fee	(3,018)	(3,148)	(2,914)	(2,706)	(3,407)
Profit for the year	**50,953**	**64,640**	**49,453**	**49,055**	**42,431**
Profit attributable to non-controlling interest	33	(161)	172	(185)	(335)
Profit attributable to owners of Parent	**50,986**	**64,479**	**49,281**	**49,240**	**42,766**
Share Statistics (HUF)					
Earnings per share (2)(4)	274	346	264	264	229
Dividends per ordinary share (3)(4)	77	86	66	66	57
Statements of income (EURm)	**2009**	**2010**	**2011**	**2012 (5)**	**2013**
for the years ended 31 December					
Total sales	**952.4**	**998.2**	**1,099.5**	**1,130.1**	**1,184.0**
Cost of sales	(414.8)	(388.4)	(409.0)	(432.4)	(442.5)
Gross profit	**537.6**	**609.8**	**690.5**	**697.7**	**741.5**
Operating expenses and other income and expenses	(350.6)	(382.6)	(472.9)	(529.3)	(588.0)
Profit from operations	**187.0**	**227.2**	**217.6**	**168.4**	**153.5**
Share of profit of associates	0.2	0.2	(15.1)	1.2	2.6
Net financial income	15.6	18.4	(25.1)	3.0	(9.1)
Profit before Income tax	**202.8**	**245.8**	**177.4**	**172.6**	**147.0**
Income tax	(3.7)	0.0	9.6	6.5	7.5
Solidarity tax	(6.8)	-	-	-	-
Local business tax and innovation fee	(10.8)	(11.4)	(10.4)	(9.4)	(11.5)
Profit for the year	**181.5**	**234.4**	**176.6**	**169.7**	**143.0**
Profit attributable to non-controlling interest	0.1	(0.6)	0.6	(0.6)	(1.1)
Profit attributable to owners of Parent	**181.6**	**233.8**	**176.0**	**170.3**	**144.1**
Share Statistics (EUR)					
Earnings per share (2)(4)	0.97	1.25	0.94	0.91	0.77
Dividends per ordinary share (3)(4)	0.27	0.31	0.24	0.23	0.19

Notes:
(1) This Financial Record is not a part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
(2) EPS calculations based on the total number of shares issued, diluted excluding exceptional and non-recurring items.
(3) 2013 dividends per ordinary share of HUF 57 are as recommended by the board of directors.
(4) Restated in order to reflect the impact of the share split realized in July 2013.
(5) Restated to comply with changes to IAS 19.

Consolidated Balance Sheet

Balance Sheet (HUFm)	2009	2010	2011	2012[3]	2013
as at 31 December					
Non-current assets	175,168	353,957	373,269	376,442	417,133
Net other assets and liabilities	205,107	181,735	202,675	237,997	223,701
Non-current liabilities	(1,520)	(93,577)	(86,088)	(94,365)	(89,638)
Non-controlling interest	(2,613)	(3,131)	(3,863)	(3,313)	(2,852)
Total net assets	**376,142**	**438,984**	**485,993**	**516,761**	**548,344**
Share capital	18,638	18,638	18,638	18,638	18,638
Reserves	358,329	420,885	471,868	499,839	530,027
Treasury shares	(825)	(539)	(4,513)	(1,716)	(321)
Capital and reserves[2]	**376,142**	**438,984**	**485,993**	**516,761**	**548,344**
Total assets and total equity and liabilities	**429,970**	**597,750**	**681,970**	**672,237**	**716,467**
Capital Expenditure (HUFm)	**24,211**	**88,704**	**32,285**	**29,677**	**33,647**

Balance Sheet (EURm)	2009	2010	2011	2012[3]	2013
as at 31 December					
Non-current assets	647.6	1,274.6	1,199.8	1,292.3	1,405.0
Net other assets and liabilities	758.2	654.4	651.5	817.0	753.4
Non-current liabilities	(5.6)	(337.0)	(276.7)	(324.0)	(301.9)
Non-controlling interest	(9.7)	(11.3)	(12.4)	(11.4)	(9.6)
Total net assets	**1,390.5**	**1,580.7**	**1,562.2**	**1,773.9**	**1,846.9**
Share capital	68.9	67.1	59.9	64.0	62.8
Reserves	1,324.6	1,515.5	1,516.8	1,715.8	1,785.2
Treasury shares	(3.0)	(1.9)	(14.5)	(5.9)	(1.1)
Capital and reserves[2]	**1,390.5**	**1,580.7**	**1,562.2**	**1,773.9**	**1,846.9**
Total assets and total equity and liabilities	**1,589.5**	**2,172.4**	**2,192.1**	**2,307.7**	**2,413.2**
Capital Expenditure (EURm)	**86.3**	**321.6**	**115.3**	**102.7**	**113.4**

Notes: [1] This Financial Record is not a part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
[2] Excluding non-controlling interest.
[3] Restated to comply with changes to IAS 19.

Throughout this Annual Report, certain Hungarian forint amounts have been converted into EUR 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 (EUR/HUF)

	2009	2010	2011	2012	2013
Average	280.7	275.8	280.0	289.1	296.8
End of year	270.5	277.7	311.1	291.3	296.9

Number of employees

	2009	2010	2011	2012	2013
End of year	10,090	10,259	10,773	11,103	11,647

Notes

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