GEDEON RICHTER
ANNUAL REPORT
2015

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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 that 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 that ensure a strong market presence have together created the foundation for regional leadership and a global presence in the specialty area of Women's Healthcare.

PARENT COMPANY DATA

Headquarters	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 27., Hungary
Phone	+36 1 431 4000
Fax	+36 1 260 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
EU VAT Number	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

Address	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 10., Hungary
Phone	+36 1 431 5764
Fax	+36 1 261 2158
E-mail	investor.relations@richter.hu
Website	www.richter.hu

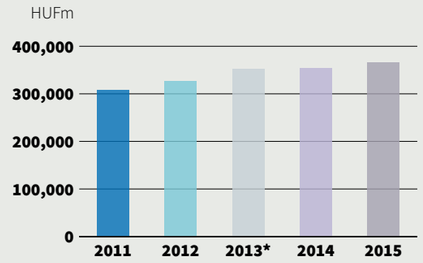
2. Financial Highlights

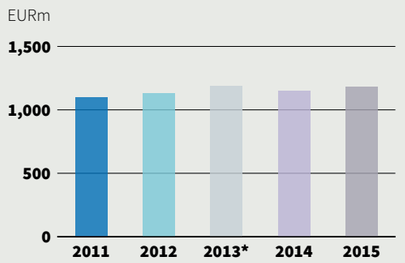
Consolidated financial highlights						
	2015 HUFm	2014 HUFm	Change %	2015 EURm	2014 EURm	Change %
Total revenues	**365,220**	**353,709**	**3.3**	**1,179.4**	**1,145.7**	**2.9**
Profit from operations	**67,532**	**37,747**	**78.9**	**218.1**	**122.3**	**78.3**
Profit for the year	**54,545**	**25,034**	**117.9**	**176.1**	**81.1**	**117.1**
	2015 HUF	2014 HUF	Change %	2015 EUR	2014 EUR	Change %
Earnings per share (EPS)[1]	**292**	**135**	**116.3**	**0.94**	**0.44**	**113.6**
Dividends per ordinary shares [2]	**72**	**33**	**118.2**	**0.23**	**0.11**	**109.1**

Notes:

(1) Earnings per share calculations were based on the total number of shares issued.
(2) The amount of 2015 dividend per ordinary share is HUF 72 as proposed by the Board of Directors.

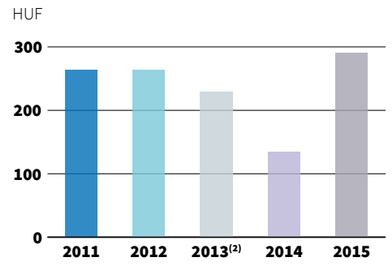
Revenues

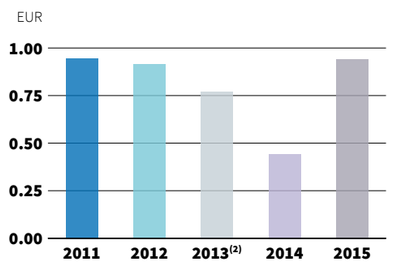




Note: *Restated in respect of IFRS 11 standard.

Earnigs per share [1]

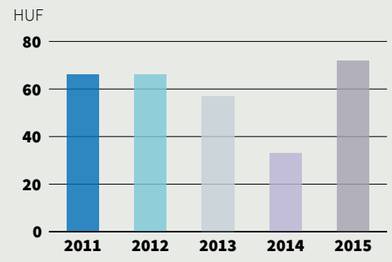


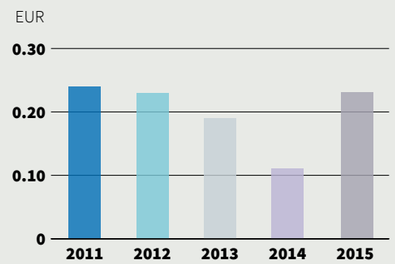


Notes:

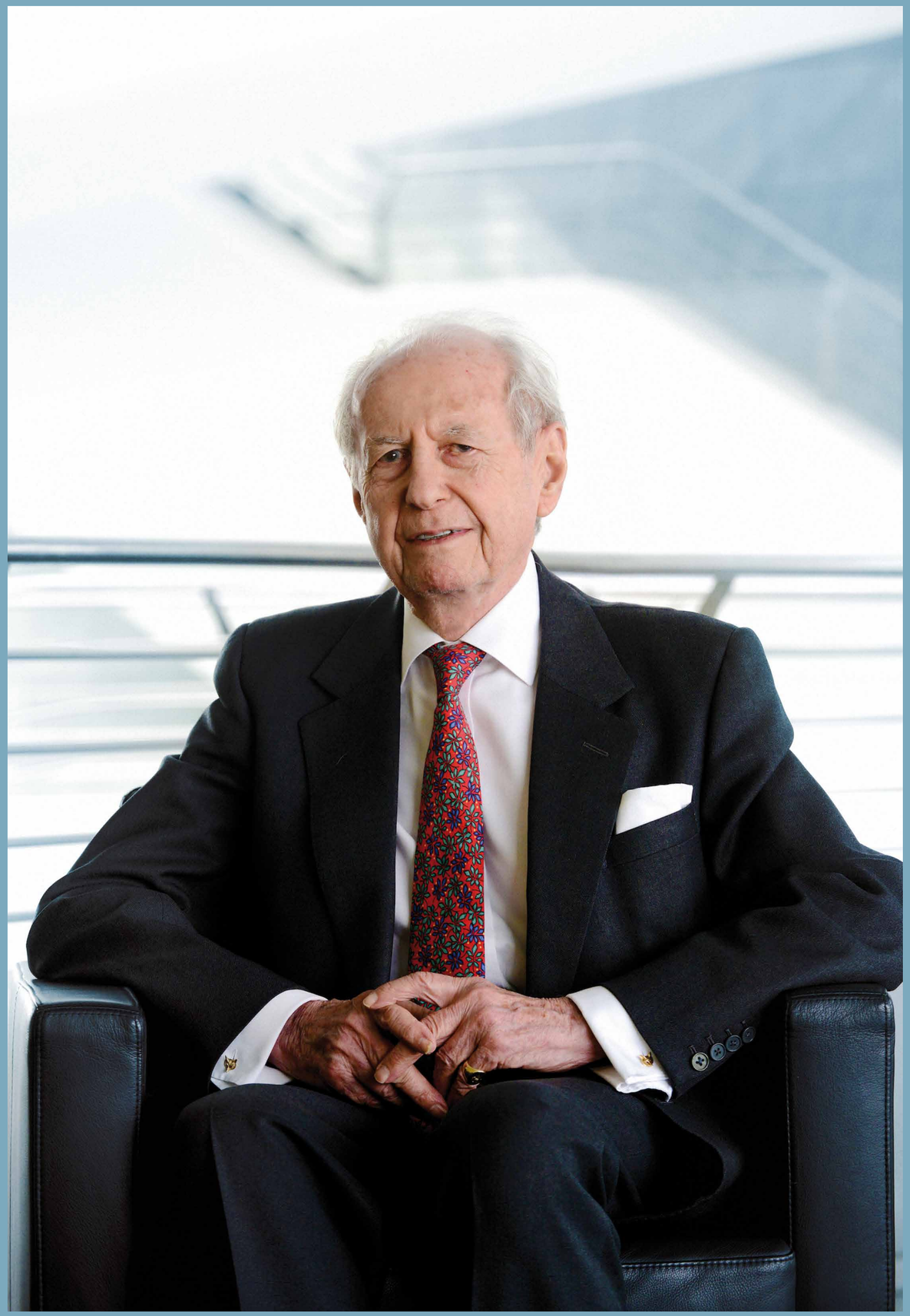
(1) Earnings per share calculations were based on the total number of shares issued.
(2) Restated in respect of IFRS 11 standard.

Dividends per ordinary share*





Note: *The amount of 2015 dividend per ordinary share is HUF 72 as proposed by the Board of Directors.



3. Chairman's Letter to the Shareholders

I am pleased to present the Annual Report for 2015. In the year under review the Group reported excellent results with important milestones in its three key specialty areas as described below.

i) In September 2015, Cariprazine, an original compound discovered by Richter's scientists and co-developed through subsequent clinical trials jointly with Allergan (earlier Forest / Actavis) was granted registration by the US Food and Drug Administration for the cure of schizophrenia and bipolar mania. The product was launched on 16 March 2016 in the USA. Submission for marketing authorization in the EU is expected to take place in the first half of 2016.

ii) Women's Healthcare, the Company's core specialty, showed encouraging results in 2015. ESMYA®, our original product for the treatment of uterine fibroids was granted a marketing authorization for long term intermittent therapy in the European Union in May 2015. The launch of the product in certain Latin American countries is also in line with the established schedule. In accordance with our aim to broaden our Women's Healthcare portfolio, certain original products were licensed-in and brought to the European markets by Richter's sales force. LISVY® a novel contraceptive patch licensed-in from Bayer, was launched during the year in a number of European markets, while LENZETTO® a postmenopausal HRT transdermal spray licensed-in from the Australian company Acrux, was introduced in certain Central-Eastern European countries.

iii) Strategic initiative on the development of sophisticated biosimilar products achieved important milestones during the year. Richter filed its first applications for marketing authorization of biosimilar drugs, pegfilgrastim and teriparatide in December 2015.

Sales of Richter products in Western Europe and in China showed further improvement, which in turn resulted in a more balanced geographical exposure. Russia represented traditionally an important market and it remained so to the present day. The heavy fall in the value of the Rouble parallel with the fall of energy related products has however had a negative effect on the overall positive results.

The Board is delighted to acknowledge the major efforts of Mr Erik Bogsch, CEO, who together with his senior management have taken the necessary steps to provide our investors a long-term increase of shareholder value.

William de Gelsey KCSG
Chairman

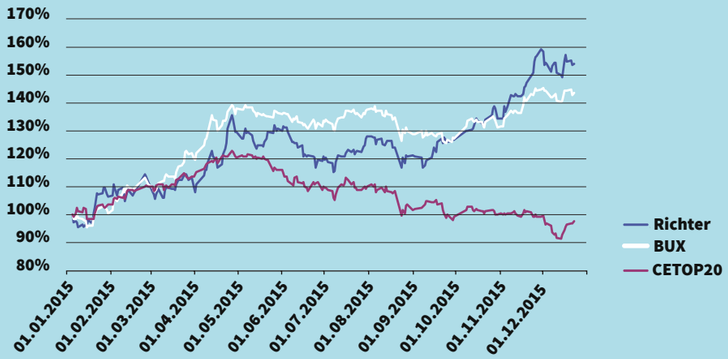
4. Investor Information

a) Share Price and Market Capitalisation

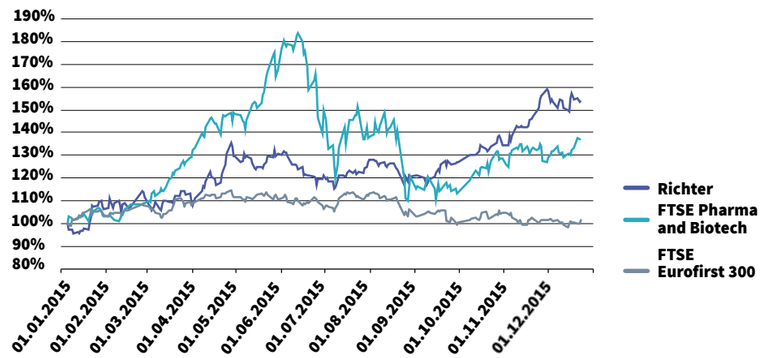
The Gedeon Richter Plc. share price on 5 January 2015 was HUF 3,514. The share price increased by approximately 36 percent to HUF 4,764 by end of April. After reaching its yearly minimum of HUF 4,045 in early July, the share price continued to increase by the end of the year, although there was a slight decline registered during the month of August. By the end of December 2015 the share price had risen to HUF 5,498, a 56 percent increase over the year.

The Company's market capitalisation followed the performance of its share price on the Budapest Stock Exchange and by the end of 2015 at HUF 1,025 billion reflected a near 57 percent increase, in HUF terms when compared to its value recorded on 31 December 2014. Market capitalisation on 31 December 2015 in Euro terms was EUR 3.3 billion, about 56 percent above the EUR 2.1 billion recorded on 31 December 2014.

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 EURHUF 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 26 April 2016 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 consolidated profit calculated according to International Financial Reporting Standards (IFRS) for 2015.

Dividends approved by the shareholders of Gedeon Richter Plc. at the Annual General Meeting held on 28 April 2015 totalled HUF 6.15 billion (EUR 19.9 million) in respect of 2014. The portion payable in relation to ordinary shares amounted to HUF 33 per share, 33 percent of the nominal share value. The record dates for these dividend payments were announced on 15 May 2015 with payments having commenced on 15 June 2015.

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, which primarily includes audited financial data 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 5 international conferences and 3 additional investor roadshows in 2015. Gedeon Richter's management also held 14 meetings for approximately 37 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 and 20 additional conference calls were organised on request.

Conferences in 2015

Concorde	„One on One Conference"	Budapest	9 April 2015
Jefferies	„Jefferies Specialty Pharma Leadership Summit"	London	18 June 2015
Erste	„Investor Conference"	Stegersbach	6-7 October 2015
Jefferies	„Global Healthcare Conference"	London	18-19 November 2015
Wood	„Emerging Europe Conference"	Prague	3-4 December 2015

Investor roadshows in 2015

London	11-12 February 2015
London	26 March 2015
London	29-30 September 2015

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 2015

Bank of America Merrill Lynch	Mr. Jamie Clark
Concorde	Mr. Attila Vágó
Erste	Ms. Vladimíra Urbánková* / Mr. József Miró
Goldman Sachs	Ms. Yulia Gerasimova
Jefferies	Mr. James Vane-Tempest
Raiffeisen	Mr. Daniel Damaska
UBS Warburg	Mr. Guillaume van Renterghem*
UniCredit	Mr. Przemyslaw Sawala-Uryasz / Ms. Helena Naffa
Wood	Mr. Bram Buring

Note: *Discontinued coverage during 2015.

f) Information Regarding Richter Shares

Shares In Issue

The total number of shares in issue at 186,374,860 as of 31 December 2015 remained unchanged from the levels reported as at 31 December 2014.

Treasury Shares

Shares held by the Parent Company in Treasury

	Reason of purchase	Number	Nominal value (HUF)	% as of share capital	Book value (HUF)
Opening balance		**3,699**	**369,900**	**0.002**	**12,742,907**
Purchased	Bonus, Remuneration, Programme approved by NTCA* and stock consideration in respect of business line transfer	801,704	80,170,400	0.430	4,056,257,608
Shares repurchased (OTC)	Bonus, Remuneration, Programme approved by NTCA*	375,304	37,530,400	0.201	1,901,870,443
Repurchased through Programme approved by NTCA*	Programme approved by NTCA*	21,653	2,165,300	0.012	90,992,727
Total share purchased		**1,198,661**	**119,866,100**	**0.643**	**6,049,120,778**
Bonus, Professional Development Programme		(327,378)	(32,737,800)		(1,575,888,777)
Remuneration		(422,917)	(42,291,700)		(2,038,903,066)
Granted through Programme approved by NTCA*		(350,694)	(35,069,400)		(1,897,252,225)
Total utilization		**(1,100,989)**	**(110,098,900)**		**(5,512,044,068)**
Closing balance		**101,371**	**10,137,100**	**0.054**	**549,819,617**

Note: *National Tax and Customs Administration of Hungary.

The number of shares held by the Parent Company in Treasury increased during 2015.

The Company purchased 150,000 treasury shares on the Budapest Stock Exchange during 2015. A further 651,704 shares were purchased by the Company from its subsidiaries and 375,304 shares were acquired on the OTC market.

Based on a decision of the Board of Directors of Gedeon Richter Plc., 750,295 shares held by the Company in Treasury were granted as bonuses during 2015 to qualified employees participating in the bonus share programme as well as to members of staff rendering outstanding performance.

In a programme related to employee share bonuses approved by the National Tax and Customs Administration of Hungary (NTCA), on 16 December 2015 the Company granted a total of 350,694 shares in respect of 4,356 of its employees for 2015. The above shares in the value of HUF 1,897 million will be deposited at the employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 1 January 2018.

In accordance with a repurchase obligation stipulated in the programme, the Company repurchased 21,653 shares from employees who resigned from the Company during 2015.

On 4 January 2016, following the expiry of the lock-up period the Company was able to remove all restrictions on 415,177 Richter ordinary shares granted to its employees on 17 December 2013 during the second year of a three-year programme approved by National Tax and Customs Authority (NTCA) in respect of years 2012-2014, thereby enabling these shares to be traded.

The total number of Company shares at Group level held in Treasury at 31 December 2015 was 811,655.

On 31 December 2015 the Group's subsidiaries held a total of 710,284 ordinary Richter shares compared to a holding of 1,361,988 reported ordinary Richter shares, held on 31 December 2014.

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 2014. The proportion held by domestic investors decreased slightly to approximately 6 percent while that of international investors remained at approximately 68 percent. The proportion of treasury shares including the above mentioned holding of subsidiaries was 0.4 percent at the end of December 2015.

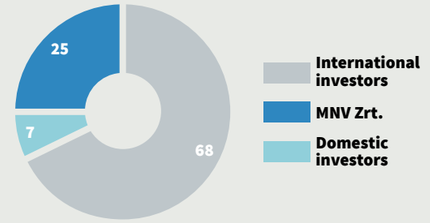
Data in the table below was compiled based on the share registry adjusted for information provided by KELER Zrt. as clearing company, global custodians and nominees.

Ownership structure on 31 December 2015

Ownership	Ordinary shares Number	Voting rights %	Share capital %
Domestic ownership	**58,409,460**	**31.48**	**31.34**
State ownership total	47,051,817	25.36	25.25
out of which MNV Zrt.	47,051,668	25.36	25.25
out of which Municipality	149	0.00	0.00
Institutional investors	5,498,517	2.96	2.95
Retail investors	5,859,126	3.16	3.14
International ownership	**126,745,169**	**68.30**	**68.00**
Institutional investors	124,293,699	66.98	66.68
out of which Aberdeen Asset Mgmt. Plc.	18,243,530	9.83	9.79
Retail investors	2,451,470	1.32	1.32
Treasury shares*	**811,655**	**0.00**	**0.44**
Undisclosed ownership	**408,576**	**0.22**	**0.22**
Share capital	**186,374,860**	**100.00**	**100.00**

Note: *Treasury shares include the combined ownership of the parent company and subsidiaries.

Detailed ownership structure as of 31 December 2015 (%)



Ordinary shareholdings by the members of the Company's Boards

	31 December 2015 Number of ordinary shares	31 December 2014 Number of ordinary shares
Board of Directors	39,365	65,782
Supervisory Committee	1,506	6,251
Executive Board	23,176	41,676
Total	**64,047**	**113,709**

Membership of the Company's Boards is shown on pages 20-23 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 the statutory 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 that 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, 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 preparing a proposal 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 regularly 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 from time to time 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.

Board of Directors

6. Company's Boards

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. Joined the Board in 1992.

Mr János Csák (1962)

Economist, sociologist, management and strategic consultant. Ambassador of Hungary to the UK between 2011 and 2014. Previously member of the board of directors and advisory boards of several companies (MOL – Hungarian Oil and Gas Co, Westel - now T-Mobile, Matáv - now Magyar-Telekom, CA-IB Investment Bank) Mr Csák is a trustee for a number of NGOs and a lecturer in social sciences. In 2009-10 visiting fellow in political economy at The Heritage Foundation in Washington DC. Joined the Board of Richter in April 2014.

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.

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. Employee of Budapest Bank from 1987, later employee of Creditanstalt Group. At the end of the 1990's leader of CA-IB, then from 2000 to 2007 deputy CEO and member of the Board of Directors of OTP Bank Nyrt. Currently member, chairman of the Board of Directors and of the Supervisory Board of several Hungarian and international companies. 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 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. Deputy CEO of Hungarian National Asset Management Inc. responsible for corporate portfolio between 2010 and 2014. Since 2014 Deputy under secretary responsible for property policy and representation of state owned interest. 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.

Dr Kriszta Zolnay (1966)

MSc in Pharmacy, Doctor of Pharmacy, international marketing expert. From 1992 to 2002 worked at Roche Magyarország Kft. as a medical representative and coordinated clinical trials as a biotechnological product specialist. From 2002 to July 2015 managing director of one of Hungary's largest pharmacies, Szeged's Kígyó Pharmacy. Since July 2015 managing director of Gedeon Richter UK Ltd. and Medimpex UK Ltd. headquartered in London. Joined the Board in April 2014.

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 István Greiner (1960)

Appointed Research Director in 2014. Chemical engineer (M.Sc), a qualified patent attorney, has a PhD and an MBA degree (Open University, UK). Joined Richter in 1984 and has held a number of management positions including Head of Chemical R&D, Head of the Patent Department between 1996 and 1999. In 2001 he was appointed Deputy to the Research Director and from 2006 he also became responsible for the new recombinant biotechnological activity of the Company.

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 held a number of management positions including Director responsible for Technical Services at Gedeon Richter USA Inc. during 2001-2002. Passed away in 2015.

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 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 Supervisory Board in 2012. Member of the Audit Board.

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 Supervisory Board in 2012. Member of the Audit Board.

Mrs Klára Csikós Kovácsné (1954)

Employee representative. Chemical technician, general manager of advanced level. With Richter since 1972. Formerly laboratory technician, official in charge of innovation, then technologist. Currently manager assistant at the Department of Technical services. Member of the works council since 2007. Chairman of the works council since 2010. Joined the Supervisory Board in 2015.

Dr Éva Kozsda Kovácsné (1962)

Employee representative. Chemical engineer, quality management auditor, MBA. With Richter since 2003. Formerly product manager at the Department of Technician services. Currently project official in charge of active ingredients at Department of Chemistry. Joined the Supervisory Board in 2015.

Changes to Boards during 2015

At the Annual General Meeting on 28 April 2015, the following were elected as members of the Supervisory Board for a 3 year period until the 2018 AGM:

Dr Attila Chikán (re-elected),
Dr Jonathán Róbert Bedros (re-elected),
Mrs Tamásné Méhész (re-elected),
Mrs Klára Csikós Kovácsné (elected employee representative) and
Dr Éva Kozsda Kovácsné (elected employee representative).

Membership of the Supervisory Board for Mr Jenő Fodor and Mr Gábor Tóth as employee representatives expired on April 28, 2015.

Dr Attila Chikán was re-elected as Chairman of the Supervisory Board.

The AGM held on 28 April, 2015 approved the re-election of Supervisory Board members Dr Attila Chikán, Dr Jonathán Róbert Bedros and Mrs Tamásné Méhész as members of the Audit Board for a 3 year period until the 2018 AGM.

Mr Sándor Kováts the late Commercial Director of Gedeon Richter passed away in 2015. With effect from 19 October 2015 Mr Erik Bogsch, Managing Director assumed the role of supervision over the commercial activities of the Company.

7. Risk Management

Richter undertakes risk management in the context of running its business efficiently. Management look forward to ensure the timely recognition, the precise understanding and the assessment of the risks, and to implement effective countermeasures.

Our risk management activity includes the following:

- a risk identification procedure which detects those direct risks the Company faces;
- a common risk language used for strategic, operational, compliance and financial risks, which facilitates internal communication and decision taking;
- consideration of the Company's readiness to taking risks;
- regular review of the risk profile performed by the management in order to progress the effectiveness of risk management and internal controlling procedures;
- responsibility and supervising practice linked to risk management.

1. Strategic risks

	Description	Key risk management methods
Macroeconomic Factors	Changes in macroeconomic factors affecting the Company's markets: especially the declining solvency due to the Russian-Ukrainian crisis and the decreasing oil price	– Monitoring changes in major macroeconomic factors, incorporating their effects into the planning – Restrictions in cost management and client relationship – Flexible utilization of local manufacturing capacities
Competition and Pricing	The impact on the Company's market position and results of increasing generic competition and declining consumer prices in a competitive market	– Identifying competitive advantages – Focusing on new original and value added products – Introducing new generic products – Regularly performed industry and competitor evaluation, effectiveness analysis
Healthcare Budget	The potential impact on the Company of changes and monetary restrictions in healthcare budgets and regulations (price reductions, restrictions on reimbursement systems and delays in the acceptance of reimbursements applications)	– Regular analysis of market environment, monitoring changes in the legal and medical subsidy system – Communication with authorities – Adaptation in cost management

2. Operational risks

	Description	Key risk management methods
Original and biosimilar R&D	The risk relating to the success of original and biosimilar research and manufacturing activities	–To focus the original R&D activity on the CNS and Women's Healthcare field – To set up the milestones regarding the original and biosimilar R&D activity – Assessment of programs and decision-making with the involvement of advisory boards and international experts according to the international standards – Involving partners to minimise risk and to provide co-financing
The increasing complexity of Company activity, more diversified markets	The risk relating to the setup of sales forces specialised in the promotion and marketing of our Women's Healthcare products in Western Europe, China and Latin America	– Company level projects for the promotion of the new Women's Healthcare portfolio and the launch of ESMYA® – Stregthening market presence and sales network in Western Europe – Establish sales network in Latin America – Increase ownership ratio in Chinese and Latin American businesses
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 – To determine the optimal number of staff – Quality-driven replacement, retentation of employees performing high quality work

3. Compliance risks

	Description	Key risk management methods
Health Authority Regulations, Quality Requirements, Quality Assurance	The risk of compliance with Authority's regulations More frequent inspections due to original product launches	– Implementing Quality systems and Standard Operational Processes (SOP) – Monitoring the compliance with health authority regulations – Separete projects to prepare for inspections
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 Region specific customer risks	– 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	Changes in the exchange rate of key foreign currencies Managing exchange rate risks in a changed foreign currency structure	– Monitoring annual open FX positions and featured / key FX spot rates – Securing FX conversion rates by financial transactions – Forward exchange contracts only in exceptional cases
Capital Structure and Cash Management	The risk relating to the effective management of the Company's cash demands and cash assets Maintenance of financing security beside aquisition expenses	– Developing and monitoring cash-flow plans – To regulate the financial investments in order to handle the investment risk – Introduction of Cash-Pool system

Following a designated risk-management approach, relevant strategic, operational, compliance and financial risks have been identified, and evaluated by the management of the Company.

8. Litigation Proceedings

There were no litigation proceedings that materially impacted the business of Gedeon Richter Plc. during 2015.

II.

MANAGING DIRECTOR'S REVIEW

Erik Bogsch – Managing Director

I am delighted to present Richter's excellent performance in 2015, which I consider to be one of the most successful years in its history. We managed to make good progress in all of our key strategic initiatives and reported outstanding annual results despite the enormous pressure linked to the economic crisis in both Ukraine and Russia including significant currency devaluations.

We reached important milestones in delivering our strategic initiatives during the year. Our key specialty area is Women's Healthcare, where we provide one of the broadest range of products available to women of all age groups. Women's Healthcare products represented 38 percent of our total consolidated turnover in 2015.

We made good progress in further strengthening the market position of ESMYA® in all of our markets. In May 2015 the European Commission (EC) approved the intermittent use of ESMYA® 5 mg in the long term management of uterine fibroids. Following this approval, ESMYA® was granted reimbursed status by the end of 2015 in Germany, Netherlands, Denmark, Sweden, Hungary, Estonia, Slovakia, Austria, Portugal, Slovenia and Spain. Marketing authorizations were also granted in some of the Latin American countries during the year.

ESMYA® reported total sales were EUR 49.8 million in 2015, compared to the EUR 33.6 million turnover recorded in the previous year.

In line with our paramount strategic initiative to enhance our existing branded Women's Healthcare product line worldwide, in January 2015 we progressed by signing a license and distribution agreement with Bayer HealthCare to commercialise its low dose gestodene and ethynil estradiol containing transdermal contraceptive patch in the European Union, in other European countries and also in certain Latin American countries under the trademark of LISVY®. By the end of 2015 the product had already been launched in the markets of Hungary, Germany, Austria, the Czech Republic, Poland, Italy, Slovakia and Portugal.

As another step on the way of broadening our Women's Healthcare franchise, we announced a collaboration agreement with Evestra Inc. in February 2015 where Richter is providing a US$ 5 million convertible loan to Evestra which will enable Evestra to accelerate the development of its innovative women's health product pipeline through the clinical stages. Under the terms of the agreement, after three years Richter has an option to decide whether the loan is to be reimbursed, including earned interest, or converted into an equity stake in Evestra.

We are pleased to report that LENZETTO®, an estradiol spray for treating menopause symptoms, licensed in from Acrux, an Australian company, received multiple marketing approvals in European territories during September 2015. This innovative delivery method product was launched in Poland in the last quarter 2015, while it was also introduced in Czech Republic in January 2016.

We completed the acquisition of Mediplus N.V. by purchasing the outstanding stake of the company in 2015, following an initial 51 percent majority stake acquired in May 2014. Richter holds now 100 percent of Mediplus, a marketing company based in Curaçao, which covers through its subsidiaries a number of countries in the Latin American region, namely: Ecuador, Peru, Chile and Bolivia. This step underlines the strategic aim towards the diversification of Richter's geographic presence in Latin America, a region with some of the fastest growing pharmaceutical markets worldwide while at the same time becoming step by step a global Women's Healthcare player.

In September 2015 a license and collaboration agreement established with Palatin Technologies in September 2014 was terminated under mutually agreed terms, fully releasing the parties from any and all legal and financial claims or obligations. Notwithstanding the above decision, we remained committed to development activities to treat conditions in women that have a severe impact on the patient's quality of life.

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.

Richter's management was very pleased to announce in January 2015 positive top-line results from a Phase IIIb trial evaluating the efficacy, safety and tolerability of cariprazine, a new atypical antipsychotic, in adult schizophrenia patients with predominantly negative symptoms. This is the first study to demonstrate clinically relevant efficacy in a group of patients who had been without a reliable treatment option. Based on the preliminary data of the study, cariprazine may offer a unique treatment to improve the patients' and their relatives' quality of life.

Following a further three months extension in the review period in September 2015 the U.S. Food and Drug Administration (FDA) approved VRAYLAR™ (cariprazine) capsules, an atypical antipsychotic, for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for treatment of schizophrenia in adults.

I am very pleased with the successful registration of cariprazine, as it confirms the enormous efforts, which were made by our colleagues working in Research and Development during the last decades, as cariprazine related preclinical research was initiated 17 years ago. The marketing authorization of cariprazine which were received together with our US partner Allergan (earlier Forest / Actavis), was a result of a heroic effort. I consider the moral success the most important element in the cariprazine story, as we managed to prove that we possess an excellent, committed research team, which is providing good teamwork. This notable achievement also underlines the importance of our state of the art research and development capabilities and in turn ensures the future in the longer term of our original research activity.

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 also provide opportunities for future relatively high revenue.

The significance of biotechnology products continues unabated in the global pharmaceutical market. Approximately 30 percent of the products given marketing authorisation during 2015 in the USA and roughly 44 percent 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 currently estimated to grow by 4 percent annually, the market for biotechnology products is expected to grow by more than 10 percent a year. This trend is further bolstered by the fact that approximately one-third of all current clinical development projects are known to be of biotechnological origin.

I am very pleased to report that we made further progress in our biosimilar product development. Following the successful completion of a Phase III clinical trial of biosimilar pegfilgrastim for the treatment of neutropenia in patients being treated with cyto-toxic chemotherapy, the European Medicines Agency (EMA) accepted Richter's regulatory submission for its proposed biosimilar to Amgen's Neulasta in December 2015. The other Phase III clinical programme related to teriparatide, a biosimilar product of a PTH fragment, treating osteoporosis co-developed with Richter-Helm BioTec GmbH & Co. KG, was also successfully completed during the reported year. The EMA acknowledged that it accepted Richter's regulatory submission for the proposed biosimilar to Eli Lilly's Forsteo in late December 2015. Both products are expected to be launched with both Richter and STADA labels in geographical Europe following the patent expiry of the original product.

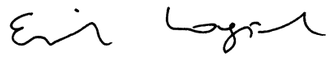
Notwithstanding the many excellent achievements of 2015, we were also facing considerable challenges. In Russia, our largest market, falling global oil prices further revealed the country's vulnerability to volatile global commodity markets. By the end of 2015 a significant devaluation (32 percent year-on-year) in the average exchange rate of the Rouble against the Euro had occurred. A drop in consumer demand was driven by a sharp contraction in real wages. Despite the unfavourable economic environment an exceptional price increase up to 25 percent was applied with effect from 1 January 2015 to approximately half of our portfolio, which assisted the achievement of 24 percent higher sales in Rouble terms compared to 2014.

The political turmoil and the deepening economic decline which have characterised Ukraine since the beginning of 2014 prevailed in 2015. The economic crisis was further accelerated by the significant devaluation of the local currency, UAH, against the US$ (45 percent year-on-year), which resulted in a substantial drop in purchasing power.

Our Group reported HUF 365,220 million (EUR 1,179.4 million) consolidated sales in 2015, representing a 3 percent increase in HUF terms (3 percent in EUR terms) when compared with 2014. Primarily as a consequence of the one-off milestone payment received from Allergan (earlier Forest / Actavis) in respect of the cariprazine regulatory approval in the USA, the reported operating profit and net profit were significantly higher than in 2014. Profit from operations increased substantially by 79 percent in HUF terms (78 percent in EUR terms) and amounted to HUF 67,532 million (EUR 218.1 million) in 2015. Profit for the year increased by 118 percent (by 117 percent in EUR terms) in 2015 to a total of HUF 54,545 million (EUR 176.1 million).

We are in a transition period, changing our business model substantially, so as to create opportunities for us to remain competitive in the long run. But it also triggers significant burdens and carries a high risk that is the significant increase in the level of operating expenses, primarily Sales and Marketing costs and Research and Development costs (although in 2015 both operating cost items were at a considerably lower level than reported in the previous years due to one off elements.) We consider this trend to be a short term sacrifice for long term success, when our strategic projects really start to bear fruit and deliver growth both at the top and the bottom line. I personally appreciate our shareholders patience and their trust which enables us to proceed on our way of executing our strategy.

We are aware that in a challenging environment with increasingly fierce competition, our ambitious goals can only be achieved by a clear and well established strategy and high level of employee commitment. I am very proud of the excellent results achieved in 2015. We continue focusing on our key priority areas in order to further strengthen our specialty pharma position. The successes that we achieved in 2015 are attributable first and foremost to the outstanding performance and the constant commitment of our employees. For this I would like to express my sincere appreciation. I would also like to thank to our shareholders for their continued support, which allow us to pursue our strategy and dedicate ourselves to innovation in order to further broaden our acknowledged specialty portfolio of high added value products.



Erik Bogsch
Managing Director

III.

SPECIALTY PHARMA

1. Challenging Industrial Environment

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 instability of the financial institutions soon enough infected entire economies while in the pharmaceutical industry, the well known issue of increasingly limited novel development pipelines resulted in disturbing volatility for pharmaceutical corporations with a sound defensive reputation among investors.

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

New social phenomena such as aging population and substantial changes in the lifestyle of the urbanized Western societies have also called for adequate responses from the pharmaceutical industry. Certain disease groups such as elderly dementia, Alzheimer disease or obesity gained more attention. At the same time younger generation requires new, non-oral approaches to contraception such as patches or hormone releasing devices. Generally speaking new delivery technologies (sprays, etc.) are well received by lifestyle driven patient groups.

Following the wide success of therapies across a number of cardiovascular diseases there is an increased demand to focus on oncologic and immune deficiency conditions, a demand which can be best addressed implementing high complexity novel technologies like nanotechnology or biological products.

Many of the generic companies which found themselves impacted by the double constraints of increasing peer competition and restrictive (national) budgetary environments were to select different strategies aimed at securing their future presence on the pharmaceutical market. One of the choices was to become global and retain margins through improving economies of scale. This goal could be achieved by conducting intense M&A activities which has resulted in an unprecedented concentration of the industry worldwide. The other way to secure margins and EPS growth was the implementation of a more complex, specialty driven, high added value 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. Richter – Innovation and High Added Value

The above challenges encouraged Richter's Management to implement a high added value driven specialty pharma business model with a primary focus on organic growth strategy complemented with selected acquisitions primarily in field of Women's Healthcare. Consequently Richter has invested significant resources in building up one of the widest Women's Healthcare portfolio worldwide, it preserved its original research founded over a century ago and – uniquely in Central and Eastern Europe – it established biosimilar development and manufacturing facilities to address the changing demand for oncological and immunological diseases.

a) Women's Healthcare

Overview

One of Richter's most important niche areas is its Women's Healthcare 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 conduct research into 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.

Our Women's Healthcare franchise traditionally has had a strong presence in Central and Eastern Europe and in the CIS region. In the mid 1990's our USA business was scaled up initially by signing a strategic agreement with Duramed Inc. focusing on Richter's niche specialty area, Women's Healthcare, which was extended both in scope and in duration with Barr Inc., who acquired Duramed. Subsequent mergers and acquisitions did not interfere with our long term partnerships, which over time enabled our US presence to become a renowned Women's Healthcare API supplier.

A key element of the Company's strategy has been and remains the development of its Women's Healthcare product portfolio. In accordance with this strategy, two acquisitions were concluded during 2010, both of which further strengthened the Women's 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 Women's Healthcare sales network in Western Europe.

As part of our strategy to rebalance our regional presence, and at the same time to expand the Women's Healthcare franchise to a global scale, we also strengthened our position in such fast growing regions as China and Latin America. In China our direct presence was enhanced in 2013 by acquiring a majority stakeholding in a local company involved in the distribution of prescription drugs on the local market. In January 2016 following the acquisition of the outstanding 50 percent stake in our other existing JV, we achieved full control of our contraceptive and OTC business in China. We expanded our earlier established marketing agreement with HRA Pharma for ESMYA® to Latin America in 2013. Consequently, Richter acquired stakeholding in a local company in Brazil with a gradual buy-out option. It also initiated in the same year a takeover of its local partner in Mexico. Together with the fully owned Columbian affiliate all these initiatives are focused on the registration of specialty products belonging to the Women's Healthcare product portfolio, targeting oral contraceptives and ESMYA® combined with establishing of a related sales network. The next step was in 2015 to complete the acquisition of Mediplus, a well-established marketing company based in Curaçao, which covers through its subsidiaries a number of countries in the Latin American region, namely Ecuador, Peru, Chile and Bolivia. It also sells pharmaceutical products to Central American and Caribbean countries.

Beyond the geographical expansion, it is an important objective for us to broaden and strengthen our female healthcare product portfolio via establishing collaboration agreements with companies possessing promising products or development projects.

Agreements have been signed with companies including the Australia based Acrux for an estradiol transdermal spray therapy for menopause symptoms, with Bayer of Germany, for the license of a low dose gestodene and ethynil estradiol containing transdermal contraceptive patch under the trademark of LISVY® and with the US based Evestra Inc., to co-finance the development of its innovative advanced contraceptive devices, namely vaginal rings, through clinical development.

Richter makes available one of the world's broadest range of Women's Healthcare products while still continuing to extend its product portfolio.

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. To date, GnRH agonists have been 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® 5 mg 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 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® 5 mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids. Following receipt of the marketing approval, the product has been registered and launched all across Europe, in the CIS region and also by our US based partner Allergan (earlier Watson/ Actavis) in Canada.

Launch of Esmya® with reimbursement

Country	Launch	Reimbursed	
		Short-term	Long-term
Germany	Q1 2012	Q1 2012	Q3 2015
United Kingdom	Q2 2012	Q2 2012	–
Austria	Q2 2012	Q4 2012	Q4 2015
Denmark	Q4 2012	Q4 2012	Q3 2015
Norway	Q4 2012	Q4 2012	–
Hungary	Q2 2012	Q1 2013	Q3 2015
Sweden	Q1 2013	Q1 2013	Q3 2015
Slovakia	Q3 2012	Q1 2013	Q3 2015
Slovenia	Q4 2012	Q2 2013	Q4 2015
Netherland	Q3 2012	Q2 2013	Q3 2015
Czech Republic	Q2 2012	Q3 2013	–
Belgium	Q3 2013	Q3 2013	–
France	Q3 2013	Q3 2013	–
Spain	Q4 2013	Q3 2013	Q4 2015
Canada	Q3 2013	Q3 2013	–
Finland	Q4 2013	Q4 2013	–
Luxemburg	Q3 2013	Q4 2013	–
Switzerland	Q4 2013	Q4 2013	–
Ireland	Q1 2014	Q1 2014	–
Bulgaria	Q4 2012	Q1 2014	–
Portugal	Q3 2012	Q1 2014	Q4 2015
Estonia	Q3 2012	Q3 2014	Q3 2015
Italy	Q3 2014	Q3 2014	–
Croatia	Q1 2014	Q3 2015	–

Launch of Esmya® without reimbursement

Country	Launch
Poland	Q2 2012
Latvia	Q3 2012
Lithuania	Q3 2012
Romania	Q3 2012
Russia	Q2 2013
Belorussia	Q4 2013
Georgia	Q4 2013
Kazahstan	Q4 2013
Turkmenistan	Q4 2013
Ukraine	Q4 2013
Armenia	Q1 2014
Uzbekistan	Q1 2014
Serbia	Q1 2014
Tajikistan	Q1 2014
Moldova	Q1 2014
Kyrgyzstan	Q2 2014
Azerbaijan	Q3 2014
Chile	Q3 2015
Peru	Q3 2015
Bolivia	Q4 2015
Uruguay	Q4 2015
Panama	Q4 2015
Dutch Caribbean region	Q4 2015

Following the acquisition of PregLem in 2010, Richter received exclusive licensing rights to develop and market ESMYA® in the EU region. At the same time such rights were licensed out to Allergan (earlier Watson / Actavis) 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 2013 Richter and HRA Pharma 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.

The European Commission approved in 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.

Recent developments

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 tumours, thus potentially avoiding surgical interventions. The studies were completed in the second quarter 2014. The application for the marketing authorization was submitted to the European Medicines Agency (EMA) in August 2014. The Committee for Medicinal Products for Human Use (CHMP) of the EMA has adopted a positive opinion on the company's application to extend the indication of ESMYA® 5 mg tablets (ulipristal acetate) and on 28 May 2015 the European Commission (EC) granted approval for the intermittent use of ESMYA® 5 mg in the long term management of uterine fibroids providing an opportunity to women to potentially avoid surgery.

Following its approval for the long term management of uterine fibroids, ESMYA® was granted reimbursed status by the end of 2015 in the following countries: Germany, Netherlands, Denmark, Sweden, Hungary, Estonia, Slovakia, Austria, Portugal, Slovenia and Spain.

ESMYA® reported total sales were EUR 49.8 million in 2015, compared to the EUR 33.6 million turnover recorded in the previous year.

Insider Highlights on ESMYA®

Dr Stéphane Ploteau – Gynaecologist, France
'The patients I have treated with ESMYA®, when I see them three months later they tell me that their quality of life improved immediately.'

Dr Jorge Fernandez Parra – Gynaecologist, Spain
' ESMYA® is very important for the control of bleeding, because it enables us to help these patients to recover from their anemia… A long-term treatment would allow us to help these women, over periods of time, without having to perform a surgery.'

Frédéric Mortier – Key Account Manager, France
'Today, most patients taking ESMYA® have their normal life back. I have an interesting anecdote about a patient, who consulted a gynaecologist. She had three fibroids and three months after the start of the treatment, she didn't bleed anymore. Her fibroids had disappeared on the ultrasound. She became totally asymptomatic. So with a woman can become asymptomatic as well. ESMYA® is a therapeutic innovation.'

Francisco Javier Hernandez – Spain
'I think it's one of the biggest innovations in gynaecological field in the last two decades.'

Paul Rauch – Germany
'It's an outstanding, really outstanding product in the market you can't find a product with such benefits.'

Marie – Belgium
'I didn't talk to my relatives, to tell them that I was really disturbed. I kept it to myself. In fact, I wanted to have a baby immediately after my treatment, and finally I am a mother of a one year-old baby boy. This is great.'

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 broad range for the female population to choose those products which fit most with their personal needs.

Recent developments

A further step was taken towards the aim of broadening our female healthcare portfolio when in January 2015 we announced a license and distribution agreement with Bayer HealthCare to commercialise its low dose gestodene and ethynil estradiol containing transdermal contraceptive patch in the European Union, in other European countries and also in certain Latin American countries under the trademark of LISVY®. National marketing authorizations have been gradually granted in the majority of European countries following the approval in the European Union in the first quarter 2014 and the product was launched in Hungary, in Germany, in Austria, in the Czech Republic, in Poland, in Italy, in Slovakia and in Portugal during the second half of 2015.

In February 2015, Richter and Evestra Inc. announced a collaboration agreement in which Richter is providing a US$ 5 million convertible loan to Evestra, which will enable Evestra to accelerate the development of its innovative women's health product pipeline, with a special focus on contraceptive vaginal rings, through clinical stages.

Products for Menopause (Hormone Replacement Therapy, Osteoporosis Medications)

The menopause is a period of natural transition that 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 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.

Recent developments

According to an established cooperation with Acrux, an Australian drug delivery company, Richter commercialises Acrux's estradiol transdermal spray therapy for female menopause symptoms in markets outside the United States. LENZETTO® received multiple marketing approvals in European territories during September 2015 and was already introduced in Poland in the fourth quarter of 2015 and in the Czech Republic in January 2016.

Other Women's Healthcare Products

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

Recent developments

According to the agreement signed with Uteron Pharma in 2011 for the marketing of its levonorgestrel containing Intra Uterine System, Levosert for the treatment of menorrhagia the product was registered and launched in most of the Central and Eastern European countries during 2014.

In September 2015 Richter announced that the license and collaboration agreement established with Palatin Technologies a year earlier to co-develop and commercialise bremelanotide for female sexual dysfunction (FSD) indications in the European Union, other European countries and additional selected countries was terminated under mutually agreed terms fully releasing the parties from any and all legal and financial claims or obligations.

Main Women's Healthcare products of Richter Group

Brand name	Active ingredients	Therapeutic area	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	DRP + 20mcg EE	Fourth generation	Hungary; EU; CIS
REGULON / DESORELLE / DESMIN 30	DSG + 30mcg EE	Third generation	Hungary; EU; CIS; RoW
NOVYNETTE / DESMIN 20 / FEMINA	DSG + 20mcg EE	Third generation	Hungary; EU; CIS; RoW; Latin America
AZALIA / LACTINETTE	DSG	Third generation	Hungary; EU; CIS; RoW
LINDYNETTE 20 / KARISSA	GST + 20mcg EE	Third generation	Hungary; EU; CIS; RoW; Latin America
LINDYNETTE 30	GST + 30mcg EE	Third generation	Hungary; EU; CIS; RoW
MILLIGEST / PERLEAN / VIOLETTA	GST + EE	Third generation	Hungary; EU
RIGEVIDON / MICROFEMIN	LVG + EE	Second generation	Hungary; EU; CIS; RoW; China; Latin America
TRI-REGOL	LVG + EE	Second generation	Hungary; EU; CIS; RoW; China
BELARA / CHARIVA / LYBELLA / BALANCA / BELARINA / EVAFEM	CLM + EE		Hungary; EU; CIS; RoW; Latin America
NEO-EUNOMIN	BCLM + EE		EU
EVE 20	norethisterone + EE	First generation	EU
SILUETTE / MISTRAL / MISTRA / SIBILLA	dienogest + 30mcg EE	Fourth generation	Hungary; EU; CIS; Latin America
Emergency contraceptives (EC)			
POSTINOR / RIGESOFT / LEVONELLE-2 / PLAN B	LVG (2x)		Hungary; EU; CIS; USA; RoW; China; Latin America
ESCAPELLE / LEVONELLE ONE-STEP / PLAN B ONE-STEP	LVG (1x)		Hungary; EU; CIS; USA; RoW; Latin America
ELLAONE [2]	ulipristal acetate		CIS; RoW
Contraceptive device (CD)			
GOLDLILY / SILVERLILY	Au + Cu, Ag + Cu	IUD	Hungary; EU; CIS
LEVOSERT [2]	levonorgestrel	Contraceptive, Menorrhagia	Hungary; EU; CIS
LISVY® [2]	GST + EE	Patch	Hungary; EU
Menopausal care			
TULITA / MINIVEL	norethisterone + estradiol	Hormone replacement therapy	Hungary
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
OSSICA	ibandronate	Osteoporosis	Hungary; EU

Main Women's Healthcare products of Richter Group

Brand name	Active ingredients	Therapeutic area	Regions where launched [1]
SEDRON / OSTALON / BEENOS	alendronate	Osteoporosis	Hungary; EU; CIS; RoW; Latin America
CALCI-SEDRON-D / OSTALON CALCI D	alendronate + Ca, vitamin D	Osteoporosis	Hungary; CIS; RoW
LENZETTO® [2]	estradiol	Hormone replacement therapy (spray)	EU
Pregnancy care and Obstetrics			
GRAVIDA [2]	vitamins	Pregnancy care	Hungary
OXYTOCIN	oxytocine	Labour induction (injection)	Hungary; EU; CIS; RoW; Latin America
BROMOCRIPTIN	bromocriptin mesilate	Prolactin inhibitor	Hungary; EU; CIS; RoW; China
LORITAN [2]		Medical pad for the detection of potential leakage of the amnio-tic liquid	Hungary
Gynaecological infections			
MYCOSYST / MYCOSYST GYNO	fluconazole	Antifungal	Hungary; EU; CIS; RoW; Latin America
GYNO FEMIDAZOL	miconazole nitrate	Antifungal	EU
GYNOFORT / GYNAZOL [2]	butoconazole nitrate	Antifungal (cream)	Hungary; EU; CIS; RoW
KLION D	metronidazole + miconazole	Antifungal	Hungary; EU; CIS; RoW; Latin America
FLUOMIZIN	dequalinium chloride	Anti-infectiv, antiseptic	EU
Other Gynaecological conditions			
ESMYA®	ulipristal acetate	Uterine myoma	Hungary; EU; CIS; RoW; Latin America
NORCOLUT	norethisterone	Premenstruation syndrome, mastodynia, dysfunctional uterine bleeding, endometriosis	Hungary; CIS; RoW; China; Latin America
Bulk products		**Oral contraception**	**EU; USA; RoW; Latin America**

Abbreviations used in the table:

LVG: Levonorgestrel
EE: Ethynil estradiol
CLM: Chlormadinone
DRP: Drospirenone
GST: Gestodene
DSG: Desogestrel
BCLM: Biphasic-chlormadinone

Notes:

(1) Products are launched in certain countries of the given region.
(2) Licenced-in products.

b) Original Research – Focus on Central Nervous System (CNS)

Overview

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 Richter's research organisation. State of the 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 also been constructed in 2007. In addition to modernisation of the technological infrastructure, a restructuring strategy has been implemented to ensure that 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 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 Allergan (earlier Forest / Actavis) and also with MitsubishiTanabe Pharma for our atypical antipsychotic, cariprazine and 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.

As a consequence of increasing pressure to improve cost efficiency, we conducted a thorough review of our CNS portfolio in 2014, which resulted in a number of projects being either dropped or suspended and a related reduction in personnel. We have also rationalised our research activities, as far as the target areas are concerned, as a result of which we have narrowed our focus to obesity, cognitive disorders and autism.

Recent developments

Jointly with Allergan (earlier Forest / Actavis) we 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 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. Allergan (earlier Forest / Actavis) resubmitted the updated registration dossier in December 2014.

In January 2015, Richter together with Allergan (earlier Forest / Actavis) announced positive results from a Phase III trial evaluating the efficacy and safety of cariprazine in the prevention of relapse in patients with schizophrenia.

Additionally, also in January 2015 Richter's management was very pleased to announce positive top-line results from a Phase IIIb trial evaluating the efficacy, safety and tolerability of cariprazine, a new atypical antipsychotic, in adult schizophrenia patients with predominantly negative symptoms. This is the first study to demonstrate clinically relevant efficacy in a group of patients who had been without a reliable treatment option. Based on the preliminary data of the study, cariprazine may offer a unique treatment to improve the patients' and their relatives' quality of life.

Following a further three months extension on 17 September 2015, the U.S. Food and Drug Administration (FDA) has approved VRAYLAR™ (cariprazine) capsules, an atypical antipsychotic, for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for treatment of schizophrenia in adults. The product is expected to be launched on the US market during March 2016.

The success of cariprazine could be considered as an historical event not just for the Company but equally for the whole Hungarian pharmaceutical industry. This is the first pharmaceutical compound which was discovered by a Hungarian company

and the preclinical research and development were also carried out in the same Hungarian pharmaceutical company. Later the clinical developments, which led to the regulatory approval of the product, were jointly managed by Richter and its US based partner Allergan (earlier Forest / Actavis).

Bipolar I Disorder

Bipolar disorder affects approximately 3.6 million people in the United States. Bipolar I disorder is also known as manic-depressive illness. People with bipolar I disorder experience „mood episodes" ranging from manic episodes (i.e., overexcited, extreme irritability, racing thoughts, difficulties with sleep), depressive episodes (i.e., extreme sadness, fatigue, hopelessness) or mixed episodes (a combination of both mania and depression).

Schizophrenia

Schizophrenia is a chronic and disabling disorder that affects more than 2.6 million American adults. It imposes significant burden on patients, their families and society. Symptoms fall into three broad categories: positive symptoms (hallucinations, delusions, thought disorders and movement disorders), negative symptoms (such as loss of motivation and social withdrawal) and cognitive symptoms (problems with executive functioning, focusing and working memory).

Cariprazine

Cariprazine is an oral, once daily atypical antipsychotic approved for the acute treatment of adult patients with manic or mixed episodes associated with bipolar I disorder, with a recommended dose range of 3 to 6 mg/day and for the treatment of schizophrenia in adults, with a recommended dose range of 1.5 to 6 mg/day. The safety and efficacy of cariprazine was studied in a clinical trial program of more than 2,700 patients with these conditions.

While the mechanism of action of cariprazine in schizophrenia and bipolar I disorder is unknown, the efficacy of cariprazine could be mediated through a combination of partial agonist activity at central dopamine D_2 and serotonin 5-HT_{1A} receptors and antagonist activity at serotonin 5-HT_{2A} receptors.

Pharmacodynamically, cariprazine acts as a partial agonist at the dopamine D_3 and D_2 receptors with high binding affinity and at the serotonin 5-HT_{1A} receptors. Cariprazine acts as an antagonist at 5-HT_{2B} and 5-HT_{2A} receptors with high and moderate binding affinity as well as it binds to the histamine H1 receptors. Cariprazine shows lower binding affinity to the serotonin 5-HT_{2C} and α_{1A}- adrenergic receptors and has no appreciable affinity for cholinergic muscarinic receptors.

Cariprazine is also being investigated for the treatment of bipolar depression and as adjunctive treatment for major depressive disorder in adults.

Those interested in more information on this once daily option for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for the treatment of schizophrenia in adults please visit www.VRAYLAR.com.

Personal reflections of some of the Richter scientists in respect of the cariprazine project

Béla Kiss (currently employed as an advisor, earlier Head of Molecular Pharmacology Research Laboratory)
„I always wanted to develop new chemical entities all my life. I thought if I would get the chance to enter into a pharmacy with my children or grandchildren and show them a certain product, the development of which was partly a result of my research activity, I would have achieved everything I could in my profession. And now I have achieved it."

Dr György Domány (currently employed as an advisor, earlier Head of Medical Chemistry Laboratory I.)
"I am 65 years old and consider myself as a content and lucky person as most researchers live their lives typically in a way that they work for 40 years without identifying any novel molecule which could become eventually an approved and commercialised product."

Dr György Németh (Medical Director)
"From a medical point of view of medical sciences the innovative value of cariprazine is further enchanced by the fact that the new product can offer a chance of improvement to a patient population with unmet medical need. Antipsychotics available so far can treat well part of the patients presenting certain symptoms of schizophrenia such as those acute ones, like hallucination, which are preferred to as 'positive symptoms'. There are, nevertheless other, so called 'negative symptoms' which cause difficulties in social integration, employment and self care. Currently there is no product available which could treat those patients who suffer from the predominantly negative symptoms of schizophrenia, i.e. a "first-in-class" approach. Our novel compound may address significant unmet medical need as there was no available specific treatment for patients suffering from such condition".

Dr Zsolt Szombathelyi (currently employed as a Chief Scientific Officer at Gedeon Richter USA Inc., earlier Research Director of Gedeon Richter Plc.)
"The success of cariprazine is in fact the tip of the iceberg hiding from view a deep restructuring of Richter's original research activities. A new research system was implemented in early 2000s by putting into practice an open, critical approach, renewing the decision making process, introducing both the matrix system and the project management. We directed significant resources towards the acquisition of both research equipment and know-how, we implemented new scientific investigation models and we introduced the regular practice of brainstorming among the various research departments. We have completely renewed the process of clinical research by hiring new, experienced staff in order to be able to successfully design and carry out international clinical trials. Finally, this professionally sound and determined research team always found the viable solution whenever the project was challenged."

Dr István Greiner (Research Director)
"For a pharmaceutical researcher to experience the success story of the commercialization of a new pharmaceutical product – always being aware of the low probability of such an event – it is similar to gaining a gold medal at the Olympics."

"The story of cariprazine started approximately 17 years ago. Research activity on the compound was not initiated from zero, considering after all the research activities in the field of antipsychotics which had already been carried out over many years at the Company. Those compounds which were tested and examined at that time, created the basis for the discovery process of cariprazine."

"As a first step of the discovery research, through extraction of thousands of molecules, we selected the compound, which possessed the greatest potential above all. In order to get there we had to examine and analyse the physical, chemical, toxicological and efficiency characteristics of all potential compounds, based on which we synthesized that particular molecule which provided the best chance to interfere with the well-known molecular biological mechanism of schizophrenia."

c) Biosimilar product development

Overview

Richter identified a number of years ago, the potential growing importance of biological drugs in the medium to long term and in 2006 took 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 based in Hamburg, Germany, establishing with Helm AG a joint venture business with Richter as the majority shareholder. The site comprises a plant able to perform the manufacturing of bacterial and yeast cell based proteins, a pilot plant and a connecting both analytical and R&D laboratory unit.

A much larger scale investment followed with the construction in Budapest of a pilot plant and a laboratory to complement a totally new manufacturing unit built in the industrial park of Debrecen in Eastern Hungary. This facility enables development in Budapest and manufacture in Debrecen of biological drugs based on mammalian cells.

When selecting candidate products Richter proceeded very carefully, focusing on two main therapeutic areas, notably Oncology and Immunology. Both these areas are considered to be among the highest growth rate therapeutic segments.

As is customary when it comes to relatively higher risk or significantly larger investments, Richter identified strategic alliances with companies similarly 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.

Biosimilars

A biosimilar medicine is a biological medicine, containing mostly protein as active ingredient, that is developed to be highly similar to an already authorized biological medicine (the 'reference medicine'). The biosimilar medicines do not have any significant differences from the reference medicine in terms of quality, safety or efficacy.

Pegfilgrastim

Pegfilgrastim, a pegylated recombinant, human granulocyte-colony stimulating factor is used in cancer patients to help with some of the side effects of their treatment. Chemotherapy that is cytotoxic also kills white blood cells, which can lead to neutropenia and the development of infections. Pegfilgrastim is used to reduce the duration of neutropenia and the occurrence of febrile neutropenia.

Teriparatide

Teriparatide is identical to the biologically active fragment of the human parathyroid hormone, it replaces the natural hormone and stimulates bone formation. Teriparatide is used for the treatment of osteoporosis as it reduces the risk of bone fracture in various patient groups. Osteoporosis is more common in women after the menopause, and it can also occur in both men and women as a side effect of glucocorticoid treatment.

Recent developments

In October 2014, STADA in-licensed biosimilar teriparatide, which was developed by Richter-Helm BioTec GmbH & Co. KG and received non exclusive distribution rights for the area of geographical Europe (excluding Russia).

In August 2015, Richter and STADA announced that similarly to the above mentioned agreement the two companies agreed to commercialize Richter's biosimilar pegfilgrastim in Europe. In this case again STADA received non exclusive distribution rights for the area of geographical Europe (excluding Russia), while Richter retained its rights to distribute and market biosimilar pegfilgrastim worldwide.

We were pleased to report in December 2015 that the European Medicines Agency (EMA) has accepted our regulatory submission for our proposed biosimilar to Amgen's Neulasta (pegfilgrastim). Richter is seeking approval for the same indications as the reference product.

In January 2016, we also announced that the EMA has accepted our regulatory submission for the proposed biosimilar to Eli Lilly's Forsteo (teriparatide). Richter is seeking approval for the same indications as the reference product.

IV.

BUSINESS REVIEW

Dr István Greiner – Research Director

Dr György Thaler – Development Director

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 embraces 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 (CNS) area.

In November 2013, after a twelve-month review period, the U.S. Food and Drug Administration (FDA) issued a Complete Response Letter regarding a New Drug Application (NDA) for cariprazine, our antipsychotic compound. In the Complete Response Letter, the FDA acknowledged that cariprazine clearly demonstrated effectiveness in the treatment of schizophrenia and mania associated with bipolar I disorder. However, the Agency indicated more information would be needed. During 2014 Allergan (earlier Forest / Actavis) and Richter made intense efforts to compile a resubmission dossier supplemented with new data and information from ongoing clinical trials. The structure and content of the modified application was discussed with the FDA and as a consequence the updated new file was resubmitted in December 2014. In June 2015, the US Authority notified the two companies that a certain response to an earlier question about the cariprazine NDA (New Drug Application) was considered as a "major amendment", consequently it required a three-month extension to complete its review. On 17 September 2015, the U.S. Food and Drug Administration finally approved cariprazine capsules, an atypical antipsychotic, for the acute treatment of manic or mixed episodes associated with bipolar I disorder and for treatment of schizophrenia in adults. The product was introduced in the US market under the trademark of VRAYLAR™ on 16 March 2016.

Other Phase III clinical studies regarding both relapse prevention and efficacy in patients with predominantly negative symptoms in schizophrenia were also completed at the end of 2014. In both cases positive top-line results were announced in January 2015. These two studies could have a positive impact and significance regarding the European registration procedure. A positive relapse prevention study was required by the EMA for registration purposes. The unique and unprecedented outcome of the clinical study in patients with predominantly negative symptoms provides a strong argument for differentiation and for potential price negotiations, offering treatment for a currently unmet medical need. Our Japanese partner, MitsubishiTanabe Pharma, is also conducting Phase III clinical trials to fulfil the regulatory requirements for product introduction on the Japanese market.

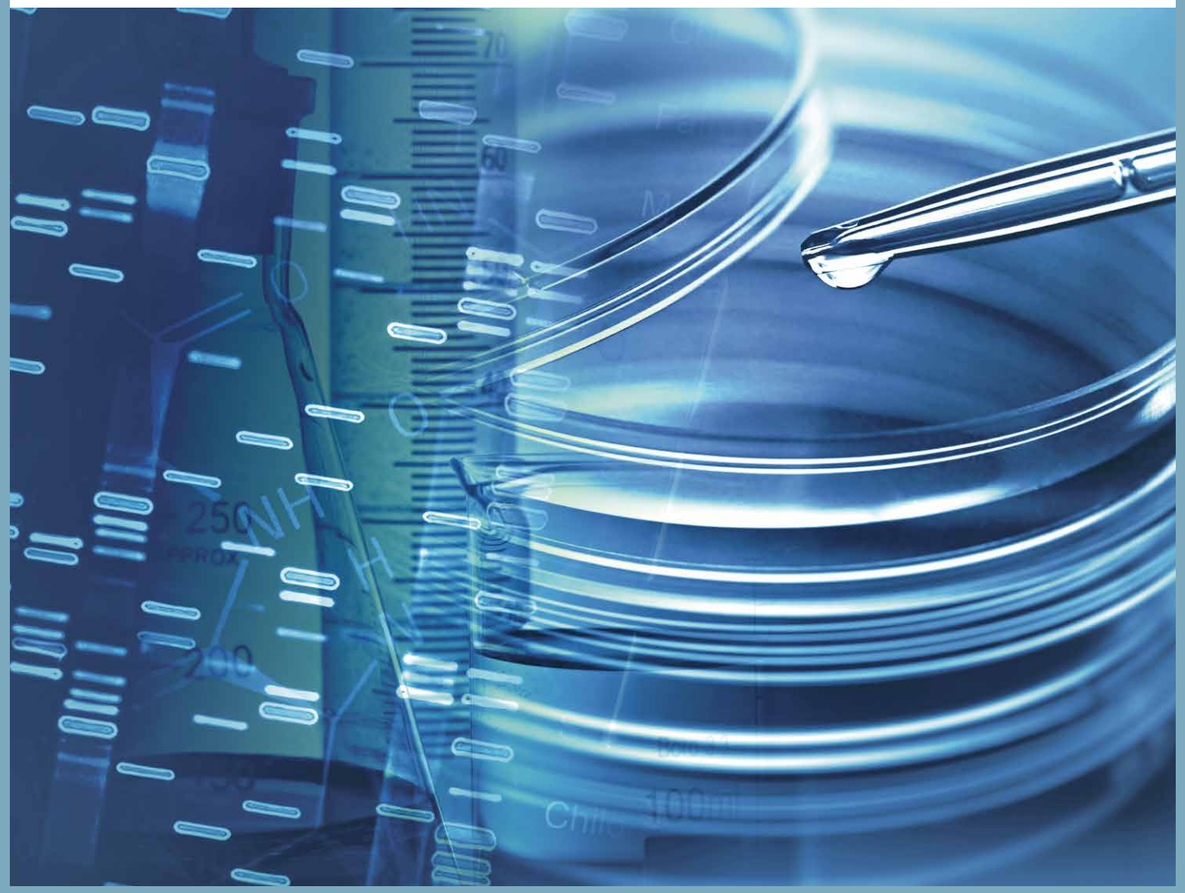
In order to improve cost efficiency the CNS portfolio was reviewed during 2014 and as a result, a small number of early stage projects were suspended and related personnel and cost was reduced. For the same reason one early stage project was eliminated from the clinical portfolio. At the end of the year, besides cariprazine the Company has a research portfolio of 11 ongoing projects, one of which is in early clinical phase and another one is in preclinical development. The remainder are in the preclinical research phase.

Results of the Phase III clinical study initiated in 2012 to establish the long term (on-off) use of ESMYA® were submitted to the EMA in August 2014. In May 2015 the European Commission (EC) granted approval for the intermittent use of ESMYA® 5 mg in the long term management of uterine fibroids, which in turn provides an opportunity to women to benefit from long term medical management of uterine fibroids and potentially avoid surgery.

A year after actual signature, the license and collaboration agreement established with Palatin Technologies was terminated under mutually agreed terms fully releasing the parties from any and all legal and financial claims or obligations. Notwithstanding this decision, becoming a global player in the Women's Healthcare market remains a paramount strategic objective for our Company.

Based on our almost 50 years of experience in the area of classical fermentation, and combined with molecular biology knowledge, a strategic decision was made by the 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 clinical trials of teriparatide for the treatment of osteoporosis and pegfilgrastim for patients suffering in neutropenia as a consequence of cytotoxic chemotherapy were successfully completed in 2015 and consequently the marketing authorisation applications for the two products have been submitted to the EMA. The regulatory procedure is expected to be completed in the next 12-15 months.

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 Allergan (earlier Forest / Actavis) 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 Allergan's (earlier Forest / Actavis) experience in clinical trials. 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 signed in 2013 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.



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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 in August 2011 two separate license and collaboration agreements in respect of the development and marketing of two biosimilar products, two monoclonal antibodies, with STADA Arzneimittel AG. In 2014 and during 2015 the cooperation with STADA in the field of biosimilar product development was further widened as the two companies signed non-exclusive license and distribution agreements to commercialise Richter's biosimilar teriparatide and pegfilgrastim in Europe (excluding Russia).

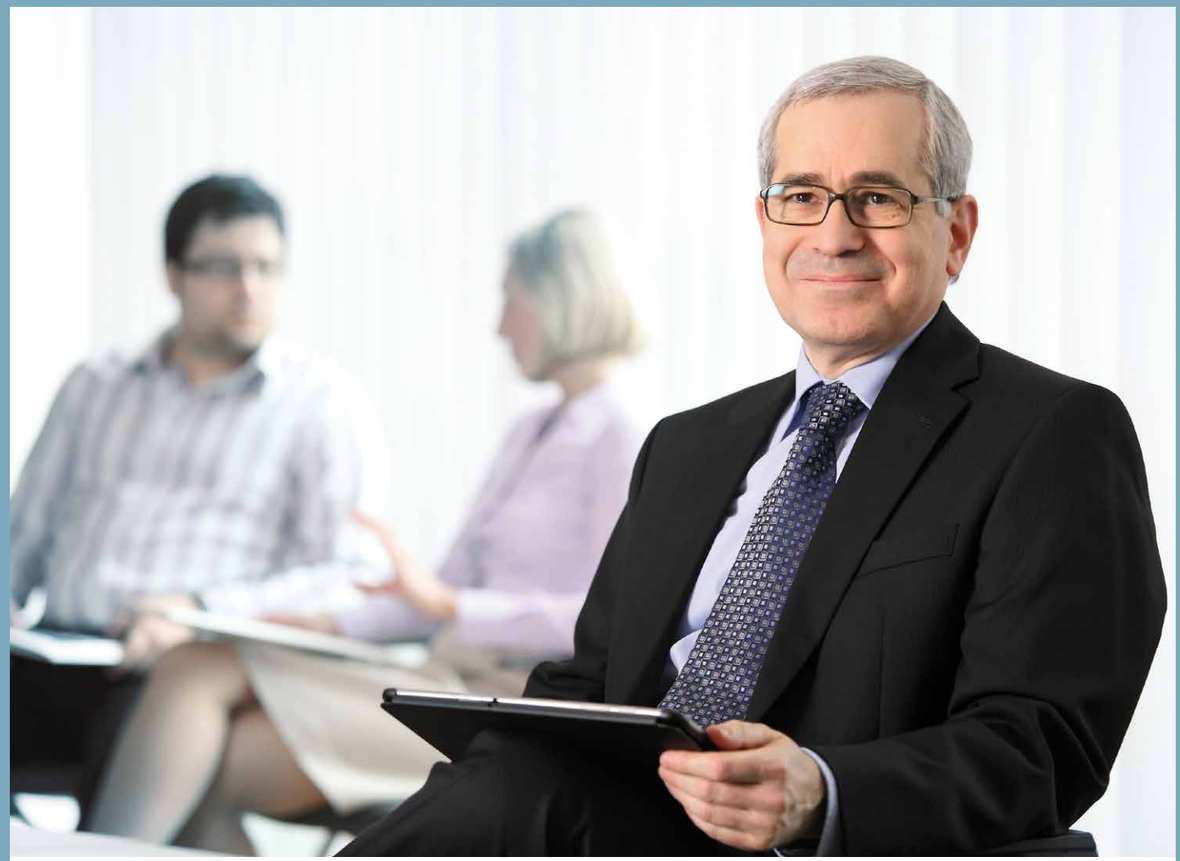
Generic development work in several therapeutic areas continued in 2015, although due to our strong commitment to reshape our business substantially focusing more on innovative, high added value areas, the resources available for generic product development have been reduced in the past few years. Consequently the number of products developed in-house has also decreased. Process development activities and bioequivalence studies on several active pharmaceutical ingredients and finished products continued during the year. Licensing-in activity contributes to the continuous development of the Group's product portfolio.

The table below highlights all products which were either developed in-house, acquired or licensed-in during 2015:

Brand name	Active ingredients	Therapeutic area	Country
Own-developed products / Acquired			
BELARA	chlormadinone + 30 mcg EE*	Women's Healthcare, oral contraceptive	Bulgaria, Serbia, Azerbaijan
DAYLLA	drospirenone + 20 mcg EE*	Women's Healthcare, oral contraceptive	Slovakia
MIDIANA	drospirenone + 30 mcg EE*	Women's Healthcare, oral contraceptive	Bulgaria, Romania
SIBILLA	dienogest + 30 mcg EE*	Women's Healthcare, oral contraceptive	Estonia
GROFIBRAT S	fenofibrat	Cardiovascular, lipid-lowering	Poland
DIRONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	Slovakia
AMLATOR	amlodipine + atorvastatin	Cardiovascular, antihypertensive + cholesterol-lowering	Serbia
MERTENIL	rosuvastatin	Cardiovascular, cholesterol-lowering	Serbia
PREGABALIN - Richter	pregabalin	Central nervous system, antiepileptic	Kazakhstan, Moldova
RESTIGULIN	aripiprazole	Central nervous system, antipsychotic	Hungary, Czech Republic
EPISTAT	fenspiride	Respiratory, antiasthmatic	Russia
Licensed-in products			
LISVY®	gestodene + EE*	Women's Healthcare, contraceptive (patch)	Hungary, Germany, Czech Republic, Austria, Poland, Italy, Slovakia, Portugal
LENZETTO®	estradiol	Hormone replacement therapy (spray)	Poland
BIDOP	bisoprolol	Cardiovascular, antihypertensive	Russia, Moldova, Armenia, Uzbekistan
AIRTAL/AFLAMIL cream	aceclofenac	Non-steroid anti-inflammatory	Ukraine, Kazakhstan, Romania, Tajikistan

Note: * Ethynil estradiol.

The Group reported in 2015 a 20.3 percent in HUF terms (20.5 percent in EUR terms) decrease in its spending on research and development which totalled to HUF 34,822 million (EUR 112.4 million), representing 9.5 percent of consolidated sales. R&D costs decreased significantly in the second half 2015 primarily due to the fact that the initiation of additional clinical trials of cariprazine has been postponed to 2016.



András Radó – Director, Production and Logistics

b) Manufacturing and Supply

Our focus

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 and integrated supply process system including all subsidiaries.

Despite the ongoing challenges presented by the economic turmoil we have continued in 2015 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 reported year we focused on continuously improving our supply systems as part of a wide ranging cost and efficiency programme.

Production

Shipped volumes of finished products decreased by 2.6 percent in 2015, compared to the levels reported in 2014, which was accompanied by a similar level decline in bulk production. At the parent company the shipped volumes of finished products decreased by 6 percent, mostly attributable to the transfer of certain packaging activities to Russia. In respect of our manufacturing subsidiaries shipped volumes of finished products decreased by 7.3 percent in Poland, while volumes increased by 11.4 percent in Romania, and 14.6 percent in Russia.

Manufacturing of new products commenced during 2015 at all our manufacturing units in the CIS and CEE region. The volumes of API manufacturing in Hungary increased slightly when compared to the levels recorded in the previous year. Steroid API volumes remained virtually flat in the reported year.

Investments

In order to support the long term strategic targets of the Group a number of investments were initiated as part of larger projects in 2015, which including payments for intangible assets amounted to HUF 33,302.

In Hungary the construction of an injection manufacturing and packaging plant, a high-bay warehouse and other development capacities as greenfield investments were progressed. At our Dorog site we continued a programme aiming towards the manufacturing and preparative chromatographic purification of steroid intermediates and active ingredients. This programme is expected to be completed in the next several years. In addition, a number of small-scale projects were completed during 2015, including the purchase of certain equipment, auxiliary and infrastructural investments as well as improvements to environmental protection and to workplace safety.

During 2015 at our Russian plant we have set up a temperature and humidity monitoring system for the warehouse area. At our Romanian subsidiary we have modernised the ground-floor manufacturing site and completed the purchase, co-financed by EU funds, of equipment linked to the R&D facility.

c) Quality Management

Richter's management has always believed that it is pivotal for the company to comply with all relevant national and international pharmaceutical legislation, including the rules and guidelines issued by public institutions and agencies such as the European Commission, the European Medicines Agency (EMA) and the U.S. Food and Drug Administration (FDA).

The Company rigorously follows Hungarian and international regulations and guidance in its scope of activities (active ingredient research, product development, animal experiments, clinical trials, manufacturing etc.). With regard to our extensive product portfolio and commercial relations with more than 80 countries, operating a comprehensive quality program entails multi-faceted and extremely complex regulatory adherence by the Total Quality Management Department.

Gedeon Richter Plc. has developed, implemented and is running a comprehensively designed, fully documented and regularly monitored Quality Management System, meant to give the basic support for all its pharmaceutical activities. Such system has been designed and implemented to ensure that all the human, technical and administrative factors which affect quality are under proper control at all times. It covers all the critical system-elements, so that they are integrated with each other and it involves the active participation of both management and personnel.

In it's corporate quality policy issued in 1999, the senior management of Richter committed itself to continuous quality improvement. The objective of Richter's quality program is to safeguard the superior quality of it's products, safety and efficiency in accordance with strict regulations. All corporate units in charge of quality assurance play a major role in quality planning and implementation, since product quality depends not only on the materials used in the manufacturing process, but also on the equipment and condition of the production lines, the environment as well as the qualifications, professional experience and general health of the staff.

To help us achieve our strategic goals, all employees are involved in the quality assurance process, participate in the design, implementation and control of GMP related activities within the company. In order to ensure their awareness of corporate regulations and expectations, Richter employees are periodically informed and trained and their working conditions aligned with quality requirements.

The maintenance of good relationships with our partners and keeping up the confidence of patients and doctors in Richter products is of foremost importance to the Company. Therefore, we place great emphasis on investigating every comment and complaint received and preventing problems of the similar type.

An outstanding result of our quality assurance activity is that the Company received no significant warnings during the quality inspections conducted by Hungarian and international professional authorities over the last 10 years.

In 2015 at our Budapest and Dorog sites we successfully passed customer audits conducted by 18 partners and completed 3 inspections. Audits confirmed our high-level GMP compliance and reliability. The National Institute of Pharmacy and Nutrition inspected the hygiene and quality control in Dorog Laboratory. We successfully completed the inspection based on ISO9001 standards conducted by the Agency for Management System Certification, Moscow and passed the inspection by Belarus National Authority. At our Debrecen sites one of our contract partners carried out a GMP audit and 2 inspections by the National Institute of Pharmacy and Nutrition were conducted during the reported period. As a result of the regulatory inspections we received the ISO9001 certificate and extensions to the manufacturing license and relevant GMP certificates.

d) 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 margins achieved by the Group. It has been a priority for Richter management to further strengthen this therapeutic area of special knowledge traditionally possessed in-house. The acquired ex-Grünenthal oral contraceptive portfolio represented 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 increased Richter's exposure to specialty pharma and complemented its existing Women's Health franchise. In this Annual Report the separate section on Women's 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 Women's Healthcare or in other therapeutic areas.

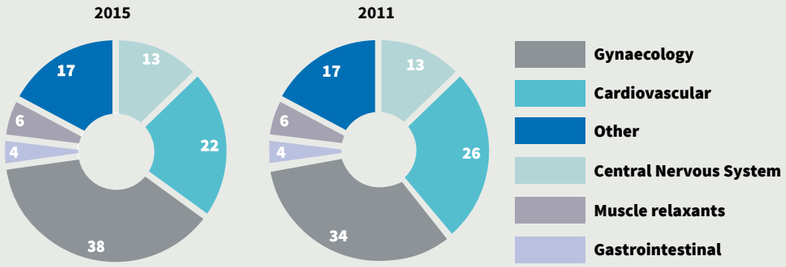
Main licencing-in partners of Richter

Company	Country	Product	Therapeutic area
Acrux	Australia	LENZETTO®	Women's Healthcare
Allergan (earlier Forest / Actavis)	Ireland	Several products	Gastrointestinal, Urology, Women's Healthcare
Almirall Prodesfarma	Spain	AFLAMIN	Non-steroid antiinflammatory
Astellas	Japan	SUPRAX	Antibiotic
Bayer	Germany	LISVY®	Women's Healthcare, oral contraceptives
Biogen Idec	USA	AVONEX, TYSABRI	Central nervous system, sclerosis multiplex
Evestra	USA	EVE-112, EVE-116	Women's Healthcare
Helm	Germany	FENTANYL patch, ANASTAZOL, LETROZOL	Oncology
Janssen	Belgium	Several products	Central nervous system, Antifungal, Antibacterial
ProStrakan	United Kingdom	LUNALDIN	Oncology
Sanofi-Aventis	France	TARIVID	Antibiotic

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 2015 originated 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.

Central Nervous System related drugs contributed altogether 13 percent of total pharmaceutical sales and showed an increase of 4.0 percent compared to 2014. The leading CNS product was our original product, CAVINTON (vinpocetine). Turnover of CAVINTON increased by 9.9 percent in 2015 compared with the sales reported in 2014. The sales performance achieved in China, in Russia and in Poland contributed the most to the turnover recorded. The gabapentin containing antiepileptic GORDIUS contributed substantially to the sales levels reported in this therapeutic group. LUNALDIN / DOLFORIN (fentanyl), an opioid analgesic drug registered good sales performance in Czech Republic, in Hungary and in Slovakia. Certain products showed significant sales growth during the reported period, notably KALMOPYRIN, SCIPPA / LENUXIN / NEPANIL, and RESTIGULIN.

Products by therapeutic groups (%)



Cardiovascular drugs showed a sales decline in 2015, although still accounting for 22 percent of total pharmaceutical sales. The cardiac therapy PANANGIN (asparaginates) the leading product in this therapeutic area, increased by 10.7 percent primarily due to higher sales achieved in Russia, in China and in Hungary. Although sales of VEROSPIRON (spironolactone) and ACE inhibitors (DIROTON / LISOPRESS / EDNYT) declined during the reported year, turnover of antihypertensive VIDONORM and trimetazidine containing MODUXIN / PROTEVASC showed sales growth compared to 2014. The cholesterol lowering XETER / MERTENIL / ZARANTA (rosuvastatin) sales decreased by 16.1 percent in 2015, as sales declined in Russia, the main market of this product.

Muscle relaxant drugs amounted to 6 percent of total pharmaceutical revenue of the Group in 2015. Sales of the original product MYDETON / MYDOCALM (tolperisone) declined by 6.3 percent in the reported period.

Gastrointestinal products represented 4 percent of total pharmaceutical sales led by the H_2-blocker QUAMATEL (famotidine) in 2015.

TOP 10 products

Brand name	Active ingredient	Therapeutic area	2015	2014	Change	
			HUFm	HUFm	HUFm	%
Oral contraceptives	hormones	Women's Healthcare, oral contraceptives	90,680	86,340	4,340	5.0
CAVINTON	vinpocetine	Central nervous system, nootropic	26,567	24,180	2,387	9.9
MYDETON / MYDOCALM	tolperisone	Muscle relaxant	17,086	18,239	(1,153)	(6.3)
ESMYA®	ulipristal acetate	Women's Healthcare, uterine myoma	15,406	10,377	5,029	48.5
PANANGIN	asparaginates	Cardiovascular, cardiac therapy	15,084	13,631	1,453	10.7
VEROSPIRON	spironolactone	Cardiovascular, diuretic	12,012	14,102	(2,090)	(14.8)
LISOPRESS	lisinopril	Cardiovascular, antihypertensive	9,624	9,836	(212)	(2.2)
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	8,556	8,777	(221)	(2.5)
AFLAMIN*	aceclofenac	Non-steroid antiinflammatory	7,042	7,928	(886)	(11.2)
QUAMATEL	famotidine	Gastrointestinal, antiulcer	6,757	7,481	(724)	(9.7)
Subtotal			**208,814**	**200,891**	**7,923**	**3.9**
Other			100,096	104,258	(4,162)	(4.0)
Total			**308,910**	**305,149**	**3,761**	**1.2**
Share of the TOP 10 products			**67.6%**	**65.8%**		

Note: *Licenced-in product.

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 2015.

e) Sales by Markets

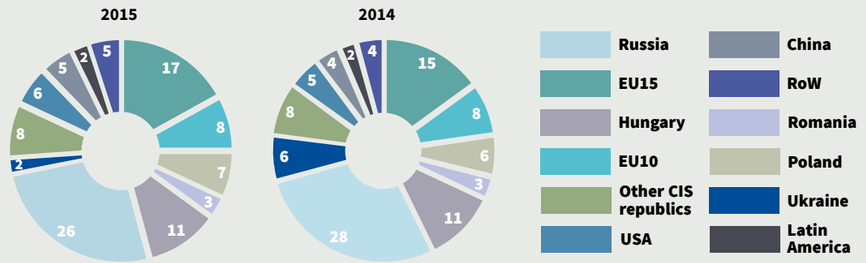
Sales in the pharmaceutical segment in 2015 totalled HUF 308,910 million (EUR 997.5 million), representing an increase of 1.2 percent in HUF terms (0.9 percent in Euro terms) when compared to 2014.

Sales by region

	2015	2014	Change		2015	2014	Change	
	HUFm	HUFm	HUFm	%	EURm	EURm	EURm	%
Hungary	**34,038**	**31,971**	**2,067**	**6.5**	**109.9**	**103.5**	**6.4**	**6.2**
EU *	**107,378**	**99,169**	**8,209**	**8.3**	**346.7**	**321.2**	**25.5**	**7.9**
Poland	21,577	19,805	1,772	8.9	69.7	64.1	5.6	8.7
Romania	8,898	8,885	13	0.1	28.7	28.8	(0.1)	(0.3)
EU 10	24,150	24,613	(463)	(1.9)	78.0	79.7	(1.7)	(2.1)
EU 15	52,753	45,866	6,887	15.0	170.3	148.6	21.7	14.6
CIS	**111,964**	**125,759**	**(13,795)**	**(11.0)**	**361.6**	**407.3**	**(45.7)**	**(11.2)**
Russia	79,781	84,526	(4,745)	(5.6)	257.7	273.8	(16.1)	(5.9)
Ukraine	8,235	16,999	(8,764)	(51.6)	26.6	55.0	(28.4)	(51.6)
Other CIS republics	23,948	24,234	(286)	(1.2)	77.3	78.5	(1.2)	(1.5)
USA	**18,103**	**16,072**	**2,031**	**12.6**	**58.5**	**52.1**	**6.4**	**12.3**
China	**16,849**	**13,612**	**3,237**	**23.8**	**54.4**	**44.1**	**10.3**	**23.4**
Latin America	**5,997**	**5,786**	**211**	**3.6**	**19.3**	**18.8**	**0.5**	**2.7**
Rest of the World	**14,581**	**12,780**	**1,801**	**14.1**	**47.1**	**41.4**	**5.7**	**13.8**
Total	**308,910**	**305,149**	**3,761**	**1.2**	**997.5**	**988.4**	**9.1**	**0.9**

Note: *All Member States of the European Union, except for Hungary.

Sales analysis by region (%)



Hungary

Hungary's economy performed well in 2015 with GDP growth of 2.9 percent. Increase in industrial production, record-low interest rate and strong domestic demand contributed the most to this expansion. Other macroeconomic indicators also showed positive development, as the average consumer price declined 0.1 percent and the unemployment rate decreased to 6.8 percent. The pharmaceutical market followed the positive trend and, according to market research data, increased by 6.9 percent.

In Hungary sales totalled HUF 34,038 million (EUR 109.9 million) in 2015, an increase of 6.5 percent in HUF terms (6.2 percent in Euro terms) when compared to 2014. Marginal changes to the price regulation system did not impact materially the Group's overall performance in the reported period. However, a tender system first introduced in 2011 aiming towards semestral price adjustments adversely affected several major Richter brands in Hungary. Price cuts applied with effect from 1 April 2015 are expected to amount to an annual revenue loss of approximately HUF 154 million while those introduced with effect from 1 October 2015 are deemed to result in an annual revenue loss of approximately HUF 39 million.

A number of products showed significant sales growth during the reported period, notably ESMYA®, KLION, TANYDON (and TANYDON HCT) and SCIPPA.

Retail sales of Richter products increased by 5.0 percent compared to 2014. 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 twelve months to December 2015. 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

There were no material changes during 2015 to the regulatory environment in Hungary and thus the market could stabilise albeit at significantly lower levels than a few years ago. Extraordinary taxes levied on the industry are reclaimable at a maximum rate of 90 percent subject to adequate R&D expenditures and employment levels being maintained. Given its high level of such expenses Richter qualifies for this maximum allowance. Furthermore by virtue of the law, the R&D linked allowances could be carried over across calendar years.

New products launched in Hungary during 2015

Brand name	Active ingredients	Therapeutic area	Launch date
LISVY®(1)	gestodene + EE(2)	Women's Healthcare, contraceptive (patch)	Q3 2015
RESTIGULIN	aripiprazole	Central nervous system, antipsychotic	Q3 2015

Notes: (1) Licenced-in product.
(2) Ethynil estradiol.

TOP 10 products in Hungary

Brand name	Active ingredient	Therapeutic area	2015	2014	Change	
			HUFm	HUFm	HUFm	%
Oral contraceptives	hormones	Women's Healthcare, oral contraceptive	3,168	3,321	(153)	(4.6)
CAVINTON	vinpocetine	Central nervous system, nootropic	1,983	1,946	37	1.9
QUAMATEL	famotidine	Gastrointestinal, antiulcer	1,594	1,430	164	11.5
XETER	rosuvastatin	Cardiovascular, cholesterol-lowering	1,567	1,405	162	11.5
PANANGIN	asparaginates	Cardiovascular, cardiac therapy	1,065	1,026	39	3.8
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	1,055	1,025	30	2.9
AKTIL*	amoxicillin + clavulanic acid	Antibiotic	994	1,302	(308)	(23.7)
LAMOLEP	lamotrigine	Central nervous system, antiepileptic	971	904	67	7.4
TANYDON	telmisartan	Cardiovascular, antihypertensive	946	754	192	25.5
AFLAMIN*	aceclofenac	Non-steroid antiinflammatory	817	972	(155)	(15.9)
Subtotal			**14,160**	**14,085**	**75**	**0.5**
Other			19,878	17,886	1,992	11.1
Total			**34,038**	**31,971**	**2,067**	**6.5**
Share of the TOP 10 products in Hungary			**41.6%**	**44.1%**		

Note: *Licenced-in product.

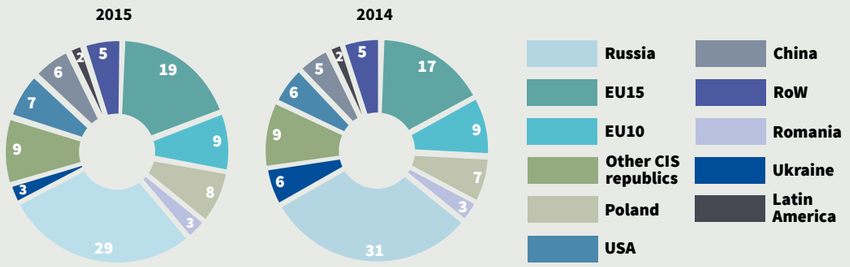
International Sales

International sales amounted to EUR 887.6 million in 2015, an increase of EUR 2.7 million or 0.3 percent compared to 2014. Sales to the CIS totalled EUR 361.6 million (US$ 401.1 million), a decline of 11.2 percent (in US$ terms 26.0 percent) compared to the sales levels achieved in 2014. While notable sales growth was recorded in Kazakhstan (26.2 percent in Euro terms), the main market of the Other CIS region, significant sales declines characterized 2015 in Ukraine (51.6 percent in Euro terms) which was complemented by an EUR denominated decline in Russia (5.9 percent in Euro terms). The increase in turnover reported for the EU region (7.9 percent in Euro terms) was primarily driven by higher sales levels recorded in EU15 countries and in Poland. Sales recorded in the USA decreased by 6.5 percent in US$ terms (increased by 12.3% in EUR terms). Sales to China amounted to EUR 54.4 million (US$ 60.4 million) in 2015, EUR 10.3 million (US$ 1.7 million) higher than in 2014. Turnover reported in the Rest of the World region increased by 13.8 percent in EUR terms in 2015 when compared to 2014.

Sales to TOP 10 international markets

	2015	2014	Change	
	EURm	EURm	EURm	%
Russia	257.7	273.8	(16.1)	(5.9)
Poland	69.7	64.1	5.6	8.7
Germany	64.0	66.5	(2.5)	(3.8)
USA	58.5	52.1	6.4	12.3
China	54.4	44.1	10.3	23.4
Romania	28.7	28.8	(0.1)	(0.3)
Ukraine	26.6	55.0	(28.4)	(51.6)
Kazakhstan	24.6	19.5	5.1	26.2
Czech Republic	23.9	24.8	(0.9)	(3.6)
United Kingdom	21.1	13.9	7.2	51.8
Subtotal	**629.2**	**642.6**	**(13.4)**	**(2.1)**
Total international sales	**887.6**	**884.9**	**2.7**	**0.3**
Share of the TOP 10 international markets	**70.9%**	**72.6%**		

International sales analysis by region (%)

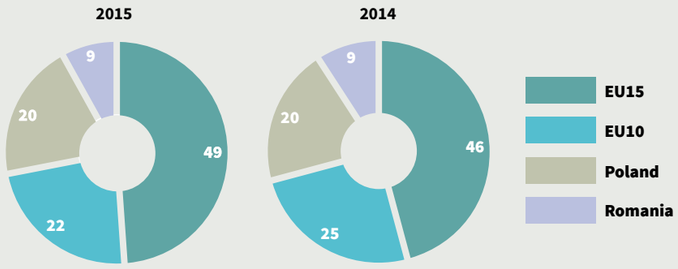


European Union

Sales in the European Union, excluding Hungary, amounted to EUR 346.7 million in 2015, representing an increase of 7.9 percent when compared to 2014.

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. Women's Healthcare generics launched by Richter in key Western European countries have contributed strongly to the turnover growth.

Sales to the EU*



Note: *All Member States of the EU, except for Hungary.

According to the preliminary estimate by Central Statistical Office of Poland, the economy grew by 3.6 percent in 2015, at its fastest pace in four years. In accordance with this improving macro environment, the Group sales increased by 8.7 percent both in PLN terms and in EUR terms and reached PLN 291.2 million (EUR 69.7 million) in 2015. The main contributor to the sales increase was the strong flu season that impacted positively the sales of our leading product, GROPRINOSIN. Furthermore a number of products showed sales growth during the reported period, notably CAVINTON, LEVOSERT and PROTEVASC.

Romania's economy, supported by several tax cuts, low interest rate and higher domestic consumption, expanded by 3.6 percent in 2015 according to the World Bank's latest estimate. However, sales to this country amounted to RON 127.4 million (EUR 28.7 million) in 2015, remained virtually flat (a 0.5 percent decline in RON terms and 0.3 percent in EUR terms) compared with the performance in 2014. Turnover of the range of oral contraceptives, together with CAVINTON, MYDOCALM and AFLAMIL contributed the most to sales levels achieved during 2015.

New products launched in Central and Eastern Europe during 2015

Brand name	Active ingredients	Therapeutic area	Launch date
AMLATOR	amlodipine + atorvastatine	Cardivascular, antihypertensive + cholesterol-lowering	Q1 2015
DIRONORM	lisinopril + amlodipine	Cardivascular, antihypertensive	Q1 2015
DAYLLA	drospirenone + 20 mcg EE(2)	Women's Healthcare, oral contraceptives	Q1 2015
BELARA	chlormadinone + 30 mcg EE(2)	Women's Healthcare, oral contraceptives	Q1 2015
AFLAMIL cream(1)	aceclofenac	Non-steroid anti-inflammatory	Q2 2015
ESMYA®	ulipristal acetate	Women's Healthcare, uterine myoma	Q2 2015
MIDIANA	drospirenone + 30 mcg EE(2)	Women's Healthcare, oral contraceptives	Q2 2015
AFLAMIL /BIOFENAC STICK(1)	aceclofenac	Non-steroid anti-inflammatory	Q3 2015
SIBILLA	dienogest + 30 mcg EE(2)	Women's Healthcare, oral contraceptives	Q3 2015
LISVY®(1)	gestodene + EE(2)	Women's Healthcare, contraceptive (patch)	Q3 2015
RESTIGULIN	aripriprazole	Central nervous system, antipsychotic	Q4 2015
GROFIBRAT S	fenofibrat	Cardiovascular, lipid-lowering	Q4 2015
LENZETTO®(1)	estradiol	Women's Healthcare, hormon replacement therapy (spray)	Q4 2015
VIOLETTA	gestodene + EE(2)	Women's Healthcare, oral contraceptives	Q4 2015

Notes: (1) Licenced-in products.
(2) Ethynil estradiol.

Strong competition and various austerity measures introduced by local governments characterised the EU10 region in 2015. Group sales totalled EUR 78.0 million in the reported year, 2.1 percent lower when compared to the sales levels achieved in the previous year. This region represented 22 percent of total EU region sales of the Group's pharmaceutical segment.

The Czech Republic's economy was among the fastest-growing economies in EU during 2015 as GDP growth probably peaked to 4.3 percent. The outstanding expansion resulted from the higher foreign and domestic demand, investments and increasing exports. Our turnover on this market amounted to CZK 651.6 million (EUR 23.9 million) in 2015, representing a 4.4 percent decline compared to the sales level achieved in 2014. The year-on-year decline was primarily due to changing our distribution partners which resulted in a one-off stock difference worth approximately two weeks sales. Turnover of the range of oral contraceptives, VEROSPIRON, LUNALDIN and ESMYA® contributed the most to the turnover achieved. Slovakia's growth continued in 2015 at a rate of 3.6 percent, driven by higher domestic demand and expanding industrial production, whilst the unemployment rate declined to a nearly seven-year low. In spite of this positive macro environment, our turnover amounted to EUR 18.7 million in 2015 which was 5.9 percent lower compared to 2014. Sales of the range of oral contraceptives, together with CAVINTON, SUPRAX and PROTEVASC contributed the most to the performance achieved during the reported period. In the Baltic States sales amounted to EUR 15.5 million in 2015, 18.0 percent lower when compared to 2014. The primary reason for the decline was the termination of the licensing agreement of AVONEX. In Bulgaria sales totalled EUR 16.6 million in the reported period, representing a 9.9 percent increase when compared with turnover achieved in 2014.

In the 'traditional' 15 EU Member States sales amounted to EUR 170.3 million in 2015, 14.6 percent higher than in the previous year. This region contributed 49 percent of total EU pharmaceutical sales.

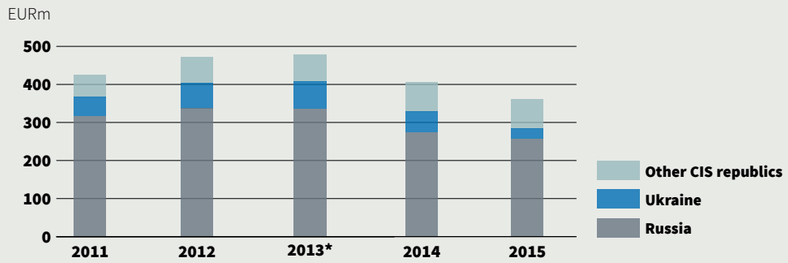
In Germany, the largest market for the Group in the region, Richter Group reported sales of EUR 64.0 million in 2015, 3.8 percent lower than in the base period. Turnover in the UK amounted to EUR 21.1 million, an increase of EUR 7.2 million compared to the sales level achieved in 2014. The higher sales of the range of oral contraceptives and ESMYA® contributed the most to the performance achieved during the reported period. In France the Group's turnover amounted to EUR 21.0 million in 2015, exceeding the previous year's results by EUR 3.0 million, primarily due to higher ESMYA® sales. Turnover in Italy totalled EUR 18.4 million, an increase of 35.3 percent higher than in 2014, primarily due to the good performance of ESMYA®. Sales in Spain reached EUR 16.4 million, while sales in the Benelux countries amounted to EUR 13.8 million.

CIS

Sales to the CIS in 2015 totalled EUR 361.6 million, representing a decline of 11.2 percent compared with sales levels achieved in 2014.

Plunge in oil prices, weakening Rouble, international sanctions and structural crisis characterised Russia during 2015. According to a flash estimate published by the Federal Statistics Service (Rosstat), the economy contracted by 3.7 percent in 2015. The Bank of Russia has lowered its key rate to 11.0 percent to relieve the burden on the economy. Consumption is expected to further decline in 2016 due to soaring inflation, decline in wages and slightly increasing unemployment. Sales totalled RUB 16.9 billion (EUR 257.7 million) in 2015, 23.7 percent higher in RUB terms (a decline of 5.9 percent in EUR terms). An exceptional price increase up to 25 percent was applied with effect from 1 January 2015 to approximately half of our portfolio which contributed to the higher turnover achieved. By the end of 2015 a significant devaluation of the Rouble against Euro (31.5 percent) had occurred in Russia year-on-year, which could not be entirely offset by increasing Rouble denominated turnover. Good sales performance of the range of oral contraceptives, together with MYDOCALM, PANANGIN and DIROTON contributed the most to higher RUB turnover achieved.

Sales to the CIS



Note: *Restated in respect of IFRS 11 standard.

Sales to Ukraine amounted to US$ 29.5 million (EUR 26.6 million) in 2015, a sharp decline of 59.8 percent (51.6 percent in EUR terms) compared to the turnover reported in 2014. A more strict receivables control and voluntary shipment restrictions were implemented by the Company as a reaction to the recent political turmoil and the deepening economic decline which has characterized the country since the beginning of 2014. By the end of 2015, the local currency, UAH, had devalued against the US$ by 45.1 percent year-on-year leading to a significant drop in purchasing power.

Sales in Other CIS republics totalled EUR 77.3 million (US$ 85.8 million) in 2015, representing a decrease of 1.5 percent (17.8 percent in US$ terms) compared to 2014. A significant sales growth was achieved in Euro terms in Kazakhstan, although from a low base, which could not offset sales declines experienced in most of the other countries of the region. In mid August 2015 the Kazakh Tenge (KZT) was floated which resulted in a more volatile FOREX environment.

New products launched in the CIS republics during 2015

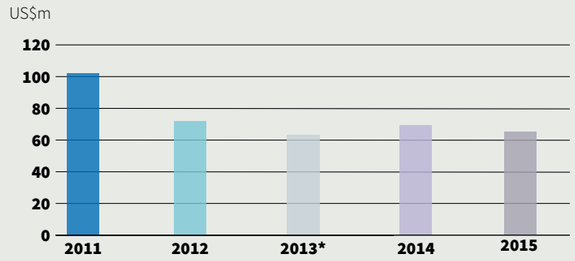
Brand name	Active ingredients	Therapeutic area	Launch date
AIRTAL cream [1]	aceclofenac	Non-steroid anti-inflammatory	Q1 2015
DUPLECOR	amlodipine + atorvastatine	Cardiovascular, antihypertensive + cholesterol lowering	Q1 2015
PREGABALIN-Richter	pregabalin	Central nervous system, antiepileptic	Q2 2015
BIDOP [1]	bisoprolol	Cardiovascular, antihypertensive	Q2 2015
CAVINTON Comfortable	vinpocetine	Central nervous system, nootropic	Q2 2015
GROPRINOSIN	inosine pranobex	Antiviral	Q2 2015
PANANGIN Forte	asparaginates	Cardiovascular, cardiac therapy	Q2 2015
BELARA	chlormadinone + 30 mcg EE[2]	Women's Healthcare, oral contraceptive	Q4 2015
EPISTAT	fenspiride HCl	Respiratory system, antiasthmatic	Q4 2015
GYNOFORT [1]	butoconazole nitrate	Antifungal (cream)	Q4 2015

Notes: (1) Licenced-in products.
(2) Ethynil estradiol.

USA

Sales in the USA totalled US$ 64.8 million (EUR 58.5 million) in 2015, a decrease of 6.5 percent in US$ terms (an increase of 12.3 percent in EUR terms) when compared to 2014. Revenues resulting from the drospirenone related profit sharing agreements and the turnover of the finished form emergency contraceptive were the main contributors to the achieved performance in the reported period.

Sales to the USA



Note: *Restated in respect of IFRS 11 standard.

China

Sales to China amounted to EUR 54.4 million (US$ 60.4 million) in 2015, 23.4 percent (2.9 percent in US$ terms) higher than in 2014, primarily due to both higher CAVINTON sales and a one-off preshipment equivalent to approximately 2 weeks worth of sales. Additionally the positive impact of the CNY appreciation against the EUR was accounted entirely on behalf of the turnover by the end of the third quarter.

Latin America

Sales in Latin American countries amounted to US$ 21.5 million (EUR 19.3 million) in 2015, a decrease of 3.4 million (increase of EUR 0.5 million) when compared to 2014.

Rest of the World

Sales in these countries amounted to EUR 47.1 million (US$ 52.2 million) in 2015, an increase of 13.8 percent (decrease of 5.3 percent in US$ terms) when compared to 2014.

Women's Healthcare

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

Women's Healthcare sales totalled EUR 382.3 million in 2015, an increase of 7.9 percent compared to the levels reported in 2014. Total turnover generated from Richter's range of own developed oral contraceptive portfolio amounted to EUR 242.2 million, 6.1 percent higher compared to 2014. Turnover arising from the OC portfolio acquired in 2010 amounted to EUR 49.7 million, 2.0 percent below the base period figure. ESMYA® sales amounted to EUR 49.8 million in 2015, compared to the EUR 33.6 million turnover recorded in 2014.

Women's Healthcare sales by region

	2015	2014	Change		2015	2014	Change	
	HUFm	HUFm	HUFm	%	EURm	EURm	EURm	%
Hungary	**5,023**	**4,886**	**137**	**2.8**	**16.2**	**15.8**	**0.4**	**2.5**
EU *	**56,547**	**48,585**	**7,962**	**16.4**	**182.6**	**157.4**	**25.2**	**16.0**
Poland	3,620	3,331	289	8.7	11.7	10.8	0.9	8.3
Romania	2,051	1,900	151	7.9	6.6	6.1	0.5	8.2
EU 10	7,499	7,553	(54)	(0.7)	24.2	24.5	(0.3)	(1.2)
EU 15	43,377	35,801	7,576	21.2	140.1	116.0	24.1	20.8
CIS	**27,236**	**27,521**	**(285)**	**(1.0)**	**88.0**	**89.1**	**(1.1)**	**(1.2)**
Russia	21,292	20,557	735	3.6	68.8	66.6	2.2	3.3
Ukraine	1,876	2,877	(1,001)	(34.8)	6.1	9.2	(3.1)	(33.7)
Other CIS republics	4,068	4,087	(19)	(0.5)	13.1	13.3	(0.2)	(1.5)
USA	**14,779**	**13,043**	**1,736**	**13.3**	**47.7**	**42.2**	**5.5**	**13.0**
China	**4,029**	**4,470**	**(441)**	**(9.9)**	**13.0**	**14.5**	**(1.5)**	**(10.3)**
Latin America	**4,718**	**4,669**	**49**	**1.0**	**15.3**	**15.1**	**0.2**	**1.3**
Rest of the World	**6,047**	**6,250**	**(203)**	**(3.2)**	**19.5**	**20.3**	**(0.8)**	**(3.9)**
Total	**118,379**	**109,424**	**8,955**	**8.2**	**382.3**	**354.4**	**27.9**	**7.9**

Note: *All Member States of the European Union, except for Hungary.

Hungary

In Hungary WH sales totalled HUF 5,023 million (EUR 16.2 million) in 2015, representing a slight increase of 2.8 percent in HUF terms (2.5 percent in EUR terms) compared to the levels reported in the previous year. Sales of ESMYA® were initiated in Hungary in May 2012 and the product was granted 90 percent reimbursed status in February 2013. Reimbursed status for the intermittent use in the long term management of uterine fibroids of ESMYA® was granted in September 2015. LISVY® a contraceptive patch licensed-in from Bayer HealthCare was launched in Hungary during the same month.

European Union

WH sales in the European Union, excluding Hungary, amounted to EUR 182.6 million in 2015, representing an increase of EUR 25.2 million (16.0 percent) when compared to 2014.

Sales of ESMYA®, our original product, were EUR 41.6 million during the reported year, EUR 13.7 million (49.1 percent) higher than in 2014.

Sales of WH products represented 53 percent of the turnover in this region in 2015.

WH sales in Poland increased by PLN 3.8 million totalling PLN 48.8 million (EUR 11.7 million) in 2015, while in Romania turnover increased by RON 2.0 million and amounted to RON 29.4 million (EUR 6.6 million) during the reported year.

In the EU10 region WH sales totalled EUR 24.2 million in 2015, EUR 0.3 million below the levels recorded in the same period of the previous year. With respect to WH sales the EU10 countries altogether represented 13 percent of the Group's WH sales to the whole EU region.

In the 'traditional' 15 EU Member States WH sales amounted to EUR 140.1 million in 2015, showing a healthy EUR 24.1 million or 20.8 percent growth over the levels recorded in 2014. This region contributed 77 percent of total EU WH sales. The year on year increase was primarily due to higher sales levels of ESMYA® together with certain OCs recently launched in Western Europe.

In Germany Richter Group reported women's healthcare sales of EUR 50.3 million, EUR 0.8 million above the levels reported in 2014. Our performance on this market was negatively impacted by the parallel import of ESMYA®.

In the UK the Group realised a turnover of EUR 18.8 million, which exceeded the base year figure by EUR 8.1 million.

In France the Group's turnover arising from WH products amounted to EUR 17.5 million, EUR 2.4 million above the levels recorded in 2014.

In Italy, a market where ESMYA® was launched in September 2014, Richter Group achieved Women's Healthcare sales of EUR 16.6 million in the reported period, EUR 4.9 million above the levels reported in 2014.

WH sales in Spain totalled EUR 14.6 million, an increase of EUR 2.5 million.

Sales of WH products represented 82 percent of the turnover in the EU15 region during 2015, due to the efficient work of the recently established sales force teams.

CIS

WH sales to the CIS in 2015 totalled EUR 88.0 million representing a decline of EUR 1.1 million from the sales levels achieved in 2014.

Turnover of WH products represented 24 percent of total CIS sales in the reported period.

USA

WH sales in the USA totalled US$ 52.9 million (EUR 47.7 million) in 2015, a US$ 3.3 million decline (an increase of EUR 5.5 million) when compared to the previous year.

Sales of WH products, including the profit sharing related to drospirenone, represented 82 percent of US sales.

China

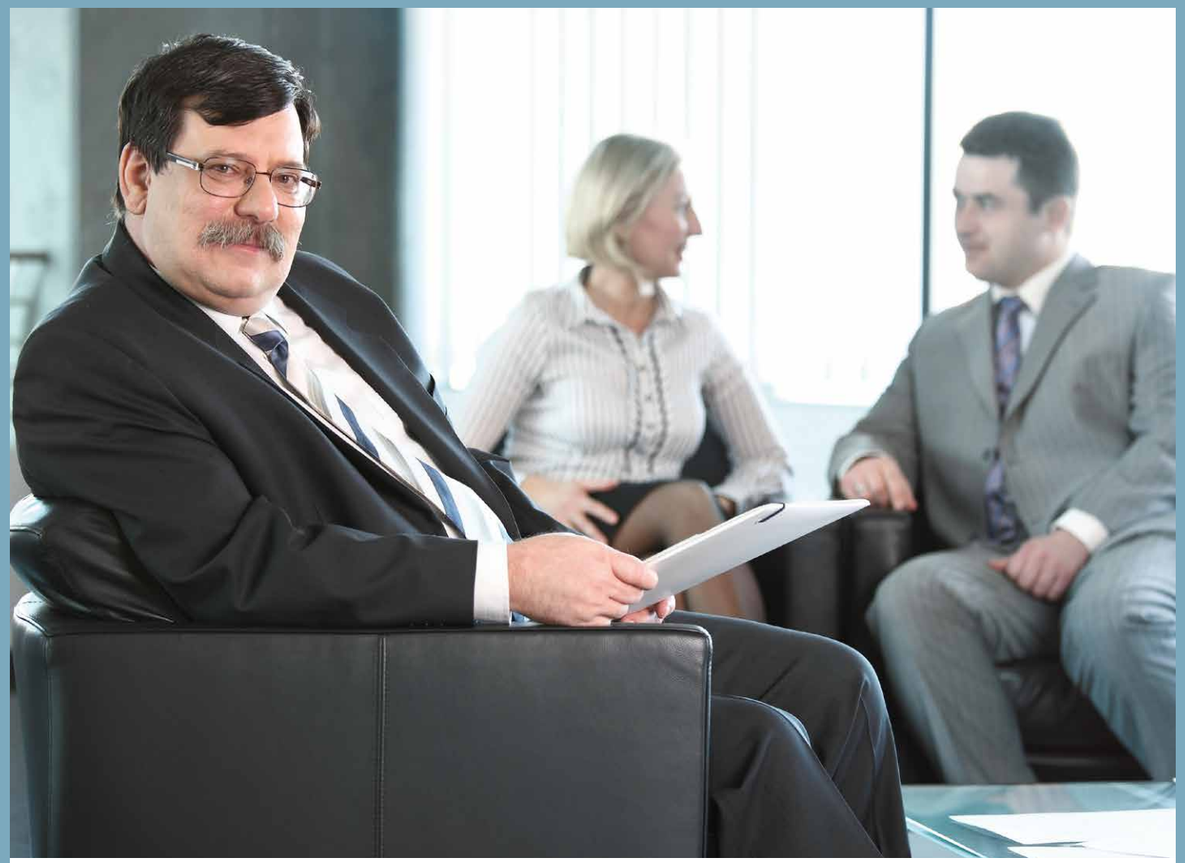
Sales of WH totalled EUR 13.0 million in the reported year, 10.3 percent lower than in 2014.

Latin America

Sales of WH totalled US$ 16.9 million (EUR 15.3 million) in the reported year, showing a 15.9 percent decline (increase of 1.3 percent in EUR terms) compared to the level achieved in the previous year.

Rest of the World

WH sales in these countries amounted to EUR 19.5 million (US$ 21.7 million) in 2015, a decline of EUR 0.8 million (US$ 5.2 million) compared to 2014.



Lajos Kovács – Technical Director

f) Corporate Social Responsibility

Conducting our business in a responsible manner is central to our strategy and how we conduct our business is just as important to us as the financial results we achieve. Developing innovative products and maximising access to them provides direct benefit to patients and consumers. If we do this successfully, this will deliver profitable and sustainable business performance. In turn it allows us to generate value and to reinvest in the business. Above this it provides wider society benefits, since healthy people and communities are essential to building strong, sustainable societies. We also contribute significant value by making direct and indirect economic contributions in the countries and communities where we operate through tax payments, our employment of more than 11,000 people and charitable support.

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;
- minimising the environmental impact of our products and operations;
- supporting community-based projects and encouraging innovation in science.

Environmental Protection

Our role as a healthcare provider is not limited to providing medications to patients. We recognise that the environment that people live in is as much a part of our care as is treating illness. As a pharmaceutical manufacturing company, we take an active role towards limiting the environmental impact of our operations; we follow a systematic approach that ensures the sustainability of our business.

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. Renewal of this IPPC permit for our Budapest facility was granted during 2015, while a renewal application for a similar permit for our Dorog facility is currently under review by the relevant authority.

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 audit held in 2013 the Company was successfully re-certified for a further three year period. The integration of the Debrecen site was initiated in 2014, the related testing commenced in 2015.

In accordance with the effective water rights operating permit, a cyclical maintenance programme was initiated and carried out at the Company aimed at technical checks and troubleshooting of the sewage system at both Budapest and Dorog sites during 2015. Implementation of the intervention plan aimed at the elimination of ground water contamination required by the relevant authorities was initiated at our Vecsés warehouse site in 2015. The hazardous waste treatment facility at our Debrecen site was completed during the year under review. Final measurements related to our approved noise reduction programme at the Dorog site were completed and enabled certification that earlier established revised and improved noise limits were being met.

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.

Occupational 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 certainly the professional skills of the workers themselves.

Our Occupational Health and Safety Management System (OHSMS) in compliance with OHSAS 18001:1999 standard, was officially certified at the beginning of 2006, making Richter the first Hungarian pharmaceutical company to obtain this type of certification. Following a recent audit, performed against the more stringent criteria of OHSAS 18001:2007, the Company was successfully re-certified in 2012 and subsequently in 2015 for a further three years.

Following modernisation of equipment in the Safety Laboratories both in Budapest and in Dorog, the audit held in 2015 confirmed that both Laboratories met the relevant standard (EN ISO/IEC 17025:2005 General requirements for the competence of testing and calibration laboratories).

The management of Richter is committed to the perpetual improvement of the organization's health and safety performance, to comply 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 any given workplace and to manage and control workplace tasks 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 representatives 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 workplace exposure of our employees to risks, and accordingly we do our best 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 surveillance 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 systematic 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 manufacturing processes, a compliance strategic plan has been developed. According to this we submitted 13 REACH registration dossiers for own-developed API intermediates during the reported year. We assumed the role of lead registrant in all cases.

Our fire protection policy places particular emphasis on prevention. This includes a network of fire alarm and detecting devices covering the entire premises ensuring the early detection of any possible signs of fire that may nonetheless break out. We have worked out an implementation plan for a separate fire-water network at our Dorog site. The first part of the construction was completed during 2015.

A specific engineering team at the Company is responsible for ensuring that potentially dangerous equipment are safe to use and comply with authority regulations.

An assessment for industrial major accident hazards for the Budapest site has been submitted during 2015. This assessment is reviewed and revised every five years. According to a recently introduced change in the relevant regulations, the Budapest site remained as 'Lower Tier' under the SEVESO II Directive, the Dorog site has been re-rated as "Higher Tier", while the Vecsés site has been rerated as "Under Tier".

Notwithstanding all prevention and precautions on 27 August 2015 a container explosion occurred at our Budapest site as a result of which two individuals were wounded, one of them severely. Both of them were employees of a subcontractor of Richter. No hazardous spill or considerable material damage occurred as a consequence of the accident. Following an in-house analysis, our procedures have been reviewed and amended in order to prevent any future similar events.

Community Involvement

Richter management 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 number of these students further increased during 2015. The scope of the Foundation has been widened in order to include secondary school students, thereby providing them with future career opportunities.

The Company also supports scientific research and university education in the field of pharmaceutical research for Hungarian talent living abroad.

Our Company provides substantial support for healthcare institutions and other healthcare and patients' related organisations to improve the life and working conditions of the medical society.

We have implemented many programmes and initiatives to support the objective of improving quality of life. One of the most successful programmes has been „Richter City of Health", established in 2009. Groups of physicians and specialists from local medical institutions gather at various locations in towns all over the country to meet people interested in a number of health conditions. A special feature of these meetings is that visitors would participate in the financial support of hospitals and the purchase of medical equipment just by simply participating at the event as the initial donation (HUF 2 million) offered by the Company to the town hospital is increased by every medical activity carried out. The results of the „Richter City of Health" initiative are impressive: 47 towns have benefited and 116,000 people have participated, with their presence increasing by an extra HUF 115 million Richter's initial donation. Over the six years some 44 hospitals have received a total of HUF 209 million financial assistance from Richter. During this period specialists have carried out 90,000 screenings, out of which 19,000 returned with health warnings. Screened patients, when needed, have received prompt advice about further treatment options.

g) 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 value the talents, skills and capabilities that our global workforce of more than 11,000 people in more than 35 countries brings to our business. We work in an international environment which requires that although Richter employees have a very diverse cultural background they are very much connected with the Company's core values and goals. Our target is to align these skills and capabilities with strategic and operational needs.

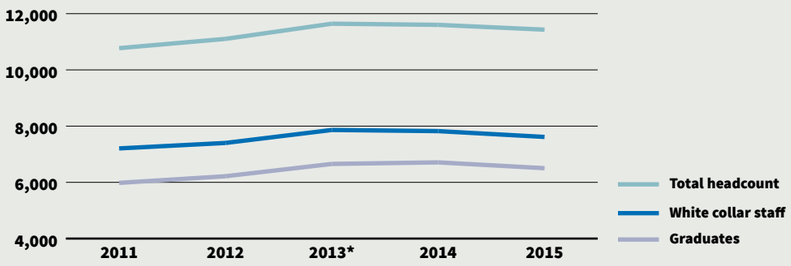
Richter's organisational culture is based on the conviction that the Company's success and development are based on the commitment and the qualification of its employees. Our aim is to create a stimulating working environment which attracts and also retains employees. Together we build a culture of mutual trust, respect, cooperation and teamwork; we also strive to support lifelong learning and efficiency.

Employees

The total headcount for the Group was 11,431 at the end of 2015, a 1.5 percent (171) decrease when compared with 2014. The year on year decline reflects the reduced level of personnel in R&D and in sales and marketing.

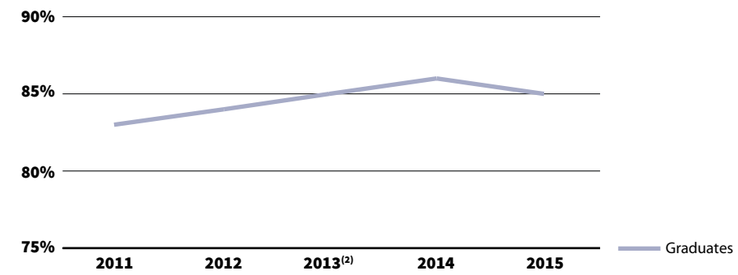
The number of skilled employees at the Group decreased to 6,503 at the end of 2015, from 6,710 reported in 2014. Graduate educated personnel represented 85 percent of white collar staff and 57 percent of the total number of employees at the Group.

Number of staff



Note: *Restated in respect of IFRS 11 standard.

Proportion of graduates(1)



Notes: (1) Within the white collar staff at the Group.
(2) Restated in respect of IFRS 11 standard.

Recruitment and Individual Development

Recruiting, retaining and developing our employees were critical activities in 2015, so as to enhance and sustain our performance. Proactive talent acquisition initiatives underpin our ability externally to attract specialist and leadership talent.

Generally we pursue a personnel policy that focuses on long-term employee support creating loyalty to the Group and carrying out those personnel changes that are required for sustainable development. 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. We implemented a behavioural interview technique, which focuses not only on the professional knowledge and experience of candidates but equally on his or her personal skills and characteristics. This method is well complemented by a competence-based psychological test which all together ensures a more efficient and valid analysis about the candidates' potential future performance.

Workplace Initiatives

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 2015 to support employees to participate in university education, including PhD courses. During 2015 we paid particular attention to training programmes in the field of biotechnological product development as it is considered as a key strategic initiative for the Group.

To support innovation and knowledge sharing within our Group in 2015 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.

To analyse some of the organisational and structural challenges and mediate between various departments we are increasingly using advisory companies. In order to optimise the cooperation of different departments at the Company and increase their efficiency we initiated a number of organisational development projects.

Developing Leaders

We recognise that good leadership plays a critical role in stimulating high levels of performance and engagement. 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.

Our leadership development programmes provide employees at all levels with the skills they need to become effective leaders. 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 2015. 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 2015. 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 a number of participants have been promoted to new management positions during the development programme. New candidates have been admitted to this programme each year since its inception.

– A system which presents professional development opportunities within the Company offering future career opportunities for new entrants and existing employees alike was further expanded and thereby completed across the whole Company during 2015.

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 take a progressive approach to protecting the health and wellbeing of our people with focus on sustaining a strong health and safety culture, which seeks to ensure employees are aware of health and safety risks.

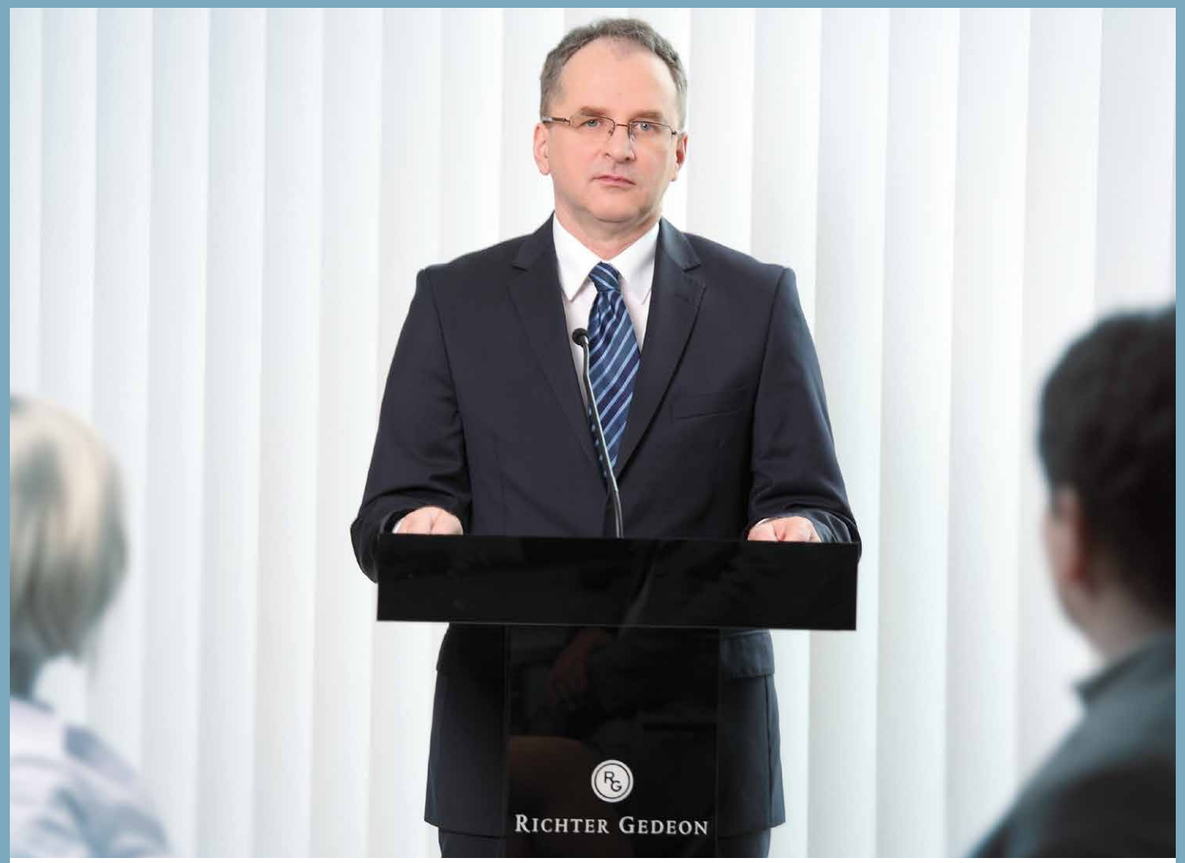
We focus on the health factors that enable employees to perform at the highest level by sustaining energy and engagement. Similarly to earlier years a new two-year employee health programme wholly financed by the Company was initiated in 2014. All employees can participate in this wide-ranging medical 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.

We are also paying special attention to mental health protection for our colleagues. As an integral part of any work place risk assessment, all of our sites and departments perform an evaluation of risks to mental health. Furthermore we provide training programmes for our employees which assist them in stress-management.

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.

We are very proud to report, that similar to that in 2014, Richter was again selected in 2015 as the most desired workplace in the pharmaceutical and chemical industry sector on "Randstad Award". Such recognition confirms that Richter's values are very much appreciated by employees in Hungary.



Dr Gábor Gulácsi – Chief Financial Officer

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 those products. These latter activities are mainly focused in Romania although the Group has also built up retail businesses in certain CIS republics. In addition, the Latin American reporting region includes our Jamaican businesses that are classified as Wholesale and Retail.

Pharmafarm is the Romanian wholesaler belonging to Richter Group. Gedeon Richter Farmacia is our major retail operation. Altogether 91 pharmacy units support the promotion and sale of Richter products in Romania.

Sales

Sales amounted to EUR 205.7 million in 2015, a 14.6 percent increase compared to the previous year.

Our Romanian subsidiaries realised 73 percent of the turnover in the Wholesale and Retail segment (RON 663.6 million), with the remainder primarily being invoiced by our subsidiaries in the CIS region. The sales increase in Romania was 17.8 percent in RON terms (18.2 percent in EUR terms) in 2015 as a result of outstanding sales performance achieved in the second half 2015. A slow reduction in payment delays continued on the Romanian pharma market during the reported period, although excessive delays continue to prevail in the pharma sector.

Wholesale and retail sales

	2015 HUFm	2014 HUFm	Change %	2015 EURm	2014 EURm	Change %
Hungary	133	132	0.8	0.4	0.4	0.0
Romania	46,353	39,105	18.5	149.7	126.7	18.2
Other CIS republics	13,143	12,883	2.0	42.5	41.7	1.9
Latin America	4,062	3,290	23.5	13.1	10.7	22.4
Total	**63,691**	**55,410**	**14.9**	**205.7**	**179.5**	**14.6**

3. Group Figures

The activities of Richter Group 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 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	
	2015 Audited	2014 Audited	2015 Audited	2014 Audited	2015 Audited	2014 Audited	2015 Audited	2014 Audited	2015 Audited	2014 Audited
Total revenues	**308,910**	**305,149**	**63,691**	**55,410**	**4,602**	**4,544**	**(11,983)**	**(11,394)**	**365,220**	**353,709**
Gross profit	213,020	206,958	7,776	6,351	911	884	(248)	(134)	221,459	214,059
Profit from operations	66,998	39,503	893	(1,718)	(98)	111	(261)	(149)	67,532	37,747
Share of profit of associates and joint ventures	228	(359)	1,308	1,240	4	(13)	(38)	(40)	1,502	828
Number of employees at year end	9,649	9,801	1,443	1,481	339	320	–	–	11,431	11,602

b) Consolidated Turnover

Sales by region

	2015	2014	Change		2015	2014	Change	
	HUFm	HUFm	HUFm	%	EURm	EURm	EURm	%
Hungary	**34,976**	**32,811**	**2,165**	**6.6**	**112.9**	**106.3**	**6.6**	**6.2**
EU *	**149,596**	**134,747**	**14,849**	**11.0**	**483.1**	**436.4**	**46.7**	**10.7**
Poland	21,577	19,805	1,772	8.9	69.7	64.1	5.6	8.7
Romania	51,096	44,440	6,656	15.0	165.0	144.0	21.0	14.6
EU 10	24,150	24,616	(466)	(1.9)	78.0	79.7	(1.7)	(2.1)
EU 15	52,773	45,886	6,887	15.0	170.4	148.6	21.8	14.7
CIS	**122,058**	**135,328**	**(13,270)**	**(9.8)**	**394.2**	**438.3**	**(44.1)**	**(10.1)**
Russia	79,786	84,533	(4,747)	(5.6)	257.7	273.8	(16.1)	(5.9)
Ukraine	8,293	17,073	(8,780)	(51.4)	26.8	55.3	(28.5)	(51.5)
Other CIS republics	33,979	33,722	257	0.8	109.7	109.2	0.5	0.5
USA	**18,103**	**16,144**	**1,959**	**12.1**	**58.5**	**52.3**	**6.2**	**11.9**
China	**16,849**	**13,612**	**3,237**	**23.8**	**54.4**	**44.1**	**10.3**	**23.4**
Latin America	**9,057**	**8,287**	**770**	**9.3**	**29.2**	**26.9**	**2.3**	**8.6**
Rest of the World	**14,581**	**12,780**	**1,801**	**14.1**	**47.1**	**41.4**	**5.7**	**13.8**
Total	**365,220**	**353,709**	**11,511**	**3.3**	**1,179.4**	**1,145.7**	**33.7**	**2.9**

Note: *All Member States of the European Union, except for Hungary.

c) Key Financial Data

Key Financial Data

	2015 HUFm	2014 HUFm	Change %	2015 EURm	2014 EURm	Change %
Total revenues	365,220	353,709	3.3	1,179.4	1,145.7	2.9
Gross profit	221,459	214,059	3.5	715.1	693.3	3.1
Gross margin %	**60.6**	**60.5**		**60.6**	**60.5**	
Profit from operations	67,532	37,747	78.9	218.1	122.3	78.3
Operating margin %	**18.5**	**10.7**		**18.5**	**10.7**	
Profit before income tax	60,727	25,795	135.4	196.1	83.6	134.6
Profit for the year	54,545	25,034	117.9	176.1	81.1	117.1
Net margin %	**14.9**	**7.1**		**14.9**	**7.1**	
EPS (HUF, EUR)[1]	292	135	116.3	0.94	0.44	113.6
Total assets and total equity and liabilities	749,194	720,057	4.0	2,392.7	2,286.7	4.6
Capital and reserves[2]	620,589	561,730	10.5	1,982.0	1,783.9	11.1
Capital expenditure	33,302	43,234	(23.0)	107.5	140.0	(23.2)
Number of employees at year-end	11,431	11,602	(1.5)			

Notes:

(1) EPS calculations were based on the total number of shares issued.
(2) Includes non-controlling interest.

d) Profit and Loss Items

Sales amounted to HUF 365,220 million (EUR 1,179.4 million) in 2015, representing a 3.3 percent increase in HUF and 2.9 percent in EUR terms when compared with the previous year. A positive performance was recorded in a number of the markets of the Group.

By the end of 2015 a significant year-on-year devaluation in the average exchange rate of the Rouble against the Euro (31.5 percent) had occurred in Russia, which could not be entirely offset by increasing Rouble denominated turnover.

Cost of sales amounted to HUF 143,761 million (EUR 464.3 million) in 2015, an increase of HUF 4,111 million (EUR 11.9 million) when compared to 2014. Amortization of the acquired intangible asset Esmya amounted to HUF 2,929 million in the twelve months to December 2015 period.

Gross margin in 2015 at 60.6 percent remained virtually unchanged when compared to the 60.5 percent level reported for the previous year. Improvement in the product mix (increasing share of Women's Healthcare products), increased sales levels reported in the EU15 region, in USA (both in HUF and in EUR terms) and in China, additionally the appreciation of the US$ and CNY against both HUF and EUR impacted positively the gross margin. These were offset by the further deteriorating sales levels recorded in Ukraine, the devaluation of the Rouble against both HUF and EUR and the improving sales performance recorded during the second half 2015 of the Wholesale and Retail business segment, which operates at lower margins.

Gross profit totalled HUF 221,459 million (EUR 715.1 million) in 2015, an increase of HUF 7,400 million (EUR 21,8 million) over the levels reported for 2014.

Sales and marketing expenses amounted to HUF 98,310 million (EUR 317.5 million) in 2015, a decline of 3.4 percent in HUF terms (3.6 percent in EUR terms) when compared with 2014. Lower Russian, Ukrainian and Polish marketing expenses (which, in all three countries included sales force reductions) and the devaluation of both Rouble and Hryvnia more than offset certain increasing marketing costs recorded in the EU15 region and in China. The proportion to sales of S&M expenses was 26.9 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 4,427 million represented 1.2 percent of sales achieved in the reported period. After adjustment for this amortization, S&M expenses represented 25.7 percent of turnover.

The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 219 million (EUR 0.7 million) in 2015. In accordance with the regulations we expect to offset the tax payable in 2015 on this ground by 90 percent of the tax liability of the same kind incurred during 2014.

Administrative and general expenses totalled HUF 19,397 million (EUR 62.6 million) in 2015, representing a 1.3 percent in HUF terms (1.6 percent in EUR terms) decrease when compared with the level recorded in the previous year.

Research and development costs represented 9.5 percent of sales and decreased by 20.3 percent in HUF terms (20.5 percent in EUR terms) to HUF 34,822 million (EUR 112.4 million) during the reported year. These costs include the ongoing clinical trials being carried out in the field of biotechnology together with those managed in co-operation with Allergan (earlier Forest / Actavis). R&D expenses of the Group also include such costs at the operations of PregLem, Gedeon Richter Polska and Gedeon Richter Romania. R&D costs decreased significantly in the second half 2015 primarily due to the fact that the initiation of additional clinical trials of cariprazine has been postponed to 2016.

Other income and other expenses decreased to an expense of HUF 1,398 million (EUR 4.5 million) in 2015 when compared to an expense of HUF 11,271 million (EUR 36.5 million) recorded in the previous year. A substantial one-off milestone payment was received during the reported period in respect of the US authorization of VRAYLAR™ (cariprazine) together with milestone payments which were received from STADA with regard to biosimilar product development. No such milestone payments were received in the base period. The amount of Other income was further increased by the recording of certain compensations related to FOREX gains recorded on China turnover which amounted to HUF 1,648 million (EUR 5.2 million).

In 2015 an accrual of HUF 192 million (EUR 0.6 million) was made in respect of the 20 percent tax obligation payable with regard to turnover related to reimbursed sales in Hungary. In accordance with the regulations we expect to offset the tax payable in 2015 on this ground by 90 percent of the tax liability of the same kind incurred during 2014.

Other income and expenses include liabilities amounting to HUF 3,764 million (EUR 12.1 million) in respect of the claw-back regimes effective in Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria and Latvia. Such expenses amounted to RON 14.1 million (EUR 3.2 million) in respect of a claw-back tax levied by Romanian authorities.

The final tranche of a deferred payment (CHF 60 million) relating to the acquisition of PregLem was paid during the reported year, in respect of which we accounted for an expense of HUF 786 million (EUR 2.6 million) reflecting a change in the likelihood of payment. Due to an increase in deferred payment liabilities relating to the acquisition made in China we accounted for other expenses amounting to HUF 2,421 million (EUR 7.8 million).

The development program of PGL 1 together with the collaboration agreement made with Palatin Technologies were terminated in the third quarter 2015 following which we accounted for an impairment of HUF 3,724 million (EUR 12.0 million) in respect of the intangible assets (licenses) of both projects.

Profit from operations increased substantially by 78.9 percent in HUF terms (78.3 percent in EUR terms) and amounted to HUF 67,532 million (EUR 218.1 million) in 2015. Such an outstanding increase resulted primarily from a substantial one-off milestone payment received from Allergan (earlier Forest / Actavis) in respect of cariprazine FDA approval. Higher turnover, substantially lower S&M and R&D expenses together with further milestone payments received from STADA also contributed to the significant year-on-year increase. The consolidated operating margin increased to 18.5 percent during the reported period from the 10.7 percent reported in 2014.

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

Net financial income						
	2015 HUFm	2014 HUFm	Change HUFm	2015 EURm	2014 EURm	Change EURm
Unrealised financial items	**(6,568)**	**(14,749)**	**8,181**	**(21.2)**	**(47.8)**	**26.6**
Exchange loss on trade receivables and trade payables	(5,984)	(10,865)	4,881	(19.3)	(35.2)	15.9
Gain on foreign currency loans receivable	1,360	2,529	(1,169)	4.4	8.2	(3.8)
Year end foreign exchange translation difference of borrowings	243	(3,296)	3,539	0.8	(10.7)	11.5
Exchange loss on other currency related items	(1,625)	(1,546)	(79)	(5.3)	(5.0)	(0.3)
Unwinding of discounted value related to contingent-deferred purchase price liabilities	(573)	(1,853)	1,280	(1.9)	(6.0)	4.1
Result of unrealised forward exchange contracts	11	282	(271)	0.1	0.9	(0.8)
Realised financial items	**(1,739)**	**1,969**	**(3,708)**	**(5.6)**	**6.4**	**(12.0)**
Gain / (loss) on forward exchange contracts	621	(225)	846	2.0	(0.7)	2.7
Exchange loss realised on trade receivables and trade payables	(2,867)	(2,029)	(838)	(9.3)	(6.6)	(2.7)
Foreign exchange difference on conversion of cash	(1,062)	2,199	(3,261)	(3.4)	7.1	(10.5)
Dividend income	1	325	(324)	0.0	1.1	(1.1)
Interest income	2,641	3,222	(581)	8.5	10.4	(1.9)
Interest expense	(1,160)	(1,373)	213	(3.7)	(4.4)	0.7
Other financial items	87	(150)	237	0.3	(0.5)	0.8
Net financial loss	**(8,307)**	**(12,780)**	**4,473**	**(26.8)**	**(41.4)**	**14.6**

The net financial loss in 2015 totalled HUF 8,307 million (EUR 26.8 million), reflecting an improvement of HUF 4,473 million (EUR 14.6 million) when compared to a net financial loss of HUF 12,780 million (EUR 41.4 million) recorded in the base period.

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 HUF 6,006 million (EUR 19.4 million) loss at the end of December 2015, HUF 7,172 million (EUR 23.3 million) lower when compared with the HUF 13,178 million (EUR 42.7 million) loss reported in 2014. The loss was primarily due to an exchange rate related loss in Russian and Kazakh trade receivables resulting from the devaluation of both the Russian Rouble and the Kazakh Tenge which occurred in the second half 2015. These were only partly offset by the appreciation of the US$. We also accounted for a HUF 573 million (EUR 1.9 million) expense in respect of an unwinding of the discounted value of a liability related to the deferred purchase prices of acquisitions realised.

The net financial loss reported on the realised financial items in 2015, reflects the impact of exchange losses realised on trade receivables and trade payables amounting to HUF 2,867 million (EUR 9.3 million). The conversion of FOREX related items resulted in a HUF 1,062 million (EUR 3.4 million) loss which was only partly offset by the HUF 621 million (EUR 2.0 million) gain on realised forward exchange contracts. Net interest income contributed HUF 1,481 million (EUR 4.8 million) to the results achieved.

Income from associates and joint ventures amounted to HUF 1,502 million (EUR 4.8 million) in 2015.

Profit before income tax amounted to HUF 60,727 million (EUR 196.1 million) in 2015, an increase of HUF 34,932 million (EUR 112.5 million) compared with 2014.

Profit for the year was HUF 54,545 million (EUR 176.1 million), HUF 29,511 million (EUR 95.0 million) higher than the profit after taxation realised in 2014. By virtue of Hungarian Tax Regulations, the corporate tax rate applied at the Parent Company of the Group (incorporated in Hungary) can be offset by a tax allowance linked to direct costs incurred on R&D activities. In addition, the Parent Company is also entitled to a tax allowance in respect of the capital expenditure programme carried out at the Debrecen biosimilar manufacturing site. Other members of the Group are subject to customary tax regulations effective in their respective countries of incorporation.

Net income attributable to owners of the parent was slightly lower than the profit for the year and increased by HUF 29,327 million (EUR 94.5 million) during the reported year to HUF 54,277 million (EUR 175.3 million). It increased to 14.9 percent of sales compared with the 7.1 percent reported in the previous year.

e) Balance Sheet Items

Total assets and total shareholders' equity and liabilities of the Group amounted to HUF 749,194 million on 31 December 2015, HUF 29,137 million, or 4.0 percent higher than that reported at 31 December 2014.

Non-current assets amounted to HUF 435,794 million on 31 December 2015, 2.5 percent above the amount as of 31 December 2014. The increase in Property, plant and equipment was primarily due to the construction of both a new, state-of-the-art lyophilisation unit and a plant dedicated to packaging of injectables. The increase in the level of Goodwill resulted from the revaluation of the goodwill accounted in respect of the previously announced acquisitions. The level of Other intangible assets decreased as a combined result of the termination of the co-operation and licencing agreement on bremelanotide, of the cancellation of the PregLem PGL 1 project and of the foreign exchange difference at year-end related to the Esmya intangible asset.

Current assets amounted to HUF 313,400 million and increased by HUF 18,686 million (6.3 percent) when compared to the level reported on 31 December 2014. Cash and Cash equivalents increased primarily as a result of having received a one-off milestone payment from Allergan (earlier Forest / Actavis) in respect of the marketing authorization granted to cariprazine. The impact thereof was partly offset by the repayment of a total of EUR 46 million in respect of loans contracted with the European Investment Bank and a club credit facility. In addition to the above, Richter paid the final portion of the deferred purchase price (milestone) in respect of the acquisition of PregLem. Investments in securities declined as a result of the redemption upon maturity of certain government bonds.

Capital and reserves of the Group increased by 10.5 percent and amounted to HUF 620,589 million when compared to the balance as at 31 December 2014. Retained earnings increased by HUF 48,486 million and amounted to HUF 563,022 million. The year-on-year increase was also supported by a HUF 6,778 million increase related to foreign currency translation accounted for under Foreign currency translation reserves.

Non-current liabilities of the Group on 31 December 2015 at HUF 56,872 million were HUF 8,985 million lower than the levels as at the end of the previous year. The decline primarily resulted from the reclassification of an EUR 21 million loan and of the deferred purchase price related to the Chinese acquisition from non-current liabilities to current liabilities, i.e. due within a year.

Current liabilities of the Group at HUF 71,733 million on 31 December 2015 were HUF 20,737 million lower than the level reported on 31 December 2014. Items impacting the above decrease included repayments of the above mentioned loans and certain reclassifications together with the disbursement of the final tranche in respect of the deferred purchase price of PregLem.

f) Cash Flow

As indicated by the cash flow statement, the Group generated net cash from operating activities of HUF 95,047 million during 2015. Cash from operating activities was higher than the previous year mainly as a result of higher net income attributable to owners of the parent and an increase in payables and other short and long term liabilities, only partly offset by a decrease in inventories. Not insignificant amounts of cash were directed towards capital expenditure and deferred payment liabilities. Overall, during 2015 cash increased by HUF 32,624 million as a result of the higher cash inflow from operating activities having been partly offset by HUF 39,100 and HUF 23,323 million cash outflow for investing activities and financing activities, respectively.

Cash flow

	2015 HUFm	2014 HUFm
Net cash flow		
From operating activities	95,047	62,201
To investing activities	(39,100)	(45,590)
To financing activities	(23,323)	(25,104)
Effect of foreign exchange rate changes	1,810	(144)
Increase/(decrease) in cash and cash equivalents	**32,624**	**(8,493)**

g) Treasury Policy

The treasury activities of the Richter Group are centrally managed by the treasury function of the Parent Company. The centralised responsibilities include group-level financing, coordination of cash pooling, management of FX risks, investment of short-term liquidity and the management of receivables.

The Parent Company assumes responsibility for the financing of subsidiaries through parent company loans as sole funding instruments for the subsidiaries; centralised financing provides a cost effective solution for the subsidiaries while at the same time providing an investment opportunity for group-level liquidity.

The Group operates cash pooling structures in certain regions where it is legally and commercially feasible; the concentration of free cash positions assists more efficient financing and liquidity management.

As the FX composition of Group revenues and expenditures significantly differ, operating profit is exposed to numerous currency fluctuations. The management of foreign exchange risk is based on a strategy approved by the Board of Directors. The treasury function regularly evaluates the risk exposure and analyses potential hedging opportunities. The Group uses only plain vanilla derivative instruments (e.g. forward contracts) for hedging purposes. Hedging transactions are concluded exclusively by the Parent Company and are executed in cases where the risk situation and the potential benefits are considered to be reasonable. The Group doesn't apply the hedge accounting rules under IAS39/IFRS9 for these transactions. The management of FX risk is periodically reviewed by the Board of Directors.

Investment of short term liquidity at Richter is coordinated and managed in accordance with policies approved by the Board of Directors. Investment decisions are made in a regulated environment and are based on conservative investment principles, ensuring only low risk instruments (e.g. high quality securities, bank deposits and mutual fund shares) are used.

As the Group markets its products in several countries which could be considered to be medium-to-high-risk, the sovereign and counterparty risk can affect profitability. The Group use credit insurance products in certain regions to partially mitigate its risk exposure. Management of receivables and impairment losses are closely monitored and subject to supervision by the Chief Financial Officer of the Company.

h) Capital Expenditure

Capital expenditure for the Group including payments for intangible assets totalled HUF 33,302 million in the twelve months to December 2015 when compared to HUF 43,234 million reported for 2014.

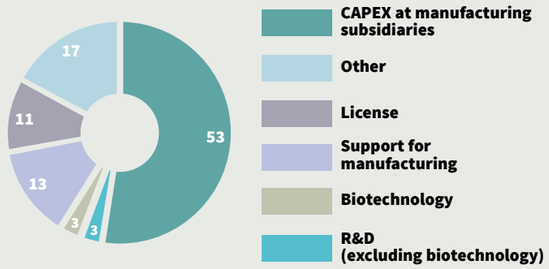
In order to further expand the manufacturing capacities of our finished form products we continued to progress a green field investment targeting the establishment of a new, state-of-the-art sterile bottle filling and lyophilisation unit and a new plant dedicated to packaging of injectables together with servicing units such as a warehouse and certain R&D-linked facilities.

The manufacturing capacities of steroid intermediates and preparative chromatographic units are also undergoing a phase of expansion and improvement. As part of a several year long programme we completed the replacement of the interior steel structure of the manufacturing hall and we have completed the installation of 18 reactors during 2015.

A number of small scale investments have been carried out to ensure or maintain the quality of the production, environmental protection and improve certain controlling and monitoring activities both at our Hungarian sites as well as at our subsidiaries abroad.

We have modernized the ground floor production site at our Romanian subsidiary in Marosvásárhely while at our Russian plant we have set up a temperature and humidity monitoring system for the warehouse area.

Capital expenditure analysed by function in 2015 (%)



Disclosures

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that the management report, which contains the Group's 2015 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 year 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

Consolidated Balance Sheet

at 31 December	2015 HUFm	2014 HUFm
ASSETS	**749,194**	**720,057**
Non-current assets	**435,794**	**425,343**
Property, plant and equipment	175,355	169,558
Goodwill	64,888	61,086
Other intangible assets	150,827	152,580
Investments in associates and joint ventures	7,140	5,408
Other financial assets	26,414	24,184
Deferred tax assets	7,487	8,606
Loans receivable	3,683	3,921
Current assets	**313,400**	**294,714**
Inventories	70,051	66,452
Trade receivables	92,539	95,255
Other current assets	13,927	13,591
Investments in securities	3,970	20,873
Current tax assets	539	603
Cash and cash equivalents	132,374	97,940
EQUITY AND LIABILITIES	**749,194**	**720,057**
Capital and reserves	**620,589**	**561,730**
Share capital	18,638	18,638
Treasury shares	(3,206)	(4,881)
Share premium	15,214	15,214
Capital reserves	3,475	3,475
Foreign currency translation reserves	16,478	9,700
Revaluation reserve for available for sale investments	3,323	1,876
Retained earnings	563,022	514,536
Non-controlling interest	3,645	3,172
Non-current liabilities	**56,872**	**65,857**
Borrowings	37,188	44,155
Deferred tax liability	8,939	8,876
Other non-current liabilities and accruals	7,817	10,056
Provisions	2,928	2,770
Current liabilities	**71,733**	**92,470**
Borrowings	6,523	14,525
Trade payables	38,209	36,335
Current tax liabilities	425	281
Other payables and accruals	24,669	40,222
Provisions	1,907	1,107

Consolidated Income Statement

for the year ended 31 December	2015 HUFm	2014 HUFm
Total revenues	**365,220**	**353,709**
Cost of sales	(143,761)	(139,650)
Gross profit	**221,459**	**214,059**
Sales and marketing expenses	(98,310)	(101,724)
Administration and general expenses	(19,397)	(19,651)
Research and development expenses	(34,822)	(43,666)
Other income and other expenses (net)	(1,398)	(11,271)
Profit from operations	**67,532**	**37,747**
Finance income	24,230	23,204
Finance costs	(32,537)	(35,984)
Net financial loss	**(8,307)**	**(12,780)**
Share of profit of associates and joint ventures	1,502	828
Profit before income tax	**60,727**	**25,795**
Income tax	(6,182)	(761)
Profit for the year	**54,545**	**25,034**
Profit attributable to:		
Owners of the parent	54,277	24,950
Non-controlling interest	268	84

Consolidated Statement of Comprehensive Income

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

Earnings per share (EPS)	HUF	HUF
Basic	292	135
Diluted	292	135

Consolidated Income Statement

for the year ended 31 December	2015 EURm	2014 EURm
Total revenues	**1,179.4**	**1,145.7**
Cost of sales	(464.3)	(452.4)
Gross profit	**715.1**	**693.3**
Sales and marketing expenses	(317.5)	(329.5)
Administration and general expenses	(62.6)	(63.6)
Research and development expenses	(112.4)	(141.4)
Other income and other expenses (net)	(4.5)	(36.5)
Profit from operations	**218.1**	**122.3**
Finance income	78.3	75.2
Finance costs	(105.1)	(116.6)
Net financial loss	**(26.8)**	**(41.4)**
Share of profit of associates and joint ventures	4.8	2.7
Profit before income tax	**196.1**	**83.6**
Income tax	(20.0)	(2.5)
Profit for the year	**176.1**	**81.1**
Profit attributable to:		
Owners of the parent	175.3	80.8
Non-controlling interest	0.8	0.3
Average exchange rate (EUR/HUF)	309.67	308.74

Consolidated Statement of Comprehensive Income		
Profit for the year	**176.1**	**81.1**
Items that will not be reclassified to profit or loss		
Actuarial loss on retirement defined benefit plans	(0.1)	(0.1)
	(0.1)	**(0.1)**
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	23.2	11.9
Exchange differences arising on translation of associates and joint ventures	0.2	(0.7)
Revaluation for available for sale investments	4.7	(9.8)
	28.1	**1.4**
Other comprehensive income for the year	**28.0**	**1.3**
Total comprehensive income for the year	**204.1**	**82.4**
Attributable to:		
Owners of the parent	202.9	81.3
Non-controlling interest	1.2	1.1

Earnings per share (EPS)	EUR	EUR
Basic	0.94	0.44
Diluted	0.94	0.44

Consolidated Cash-flow Statement

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

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