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**GEDEON RICHTER**  
**ANNUAL REPORT**  
**2015**
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## V. Appendices 93
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.

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2. Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>365,220</td>
<td>353,709</td>
<td>3.3</td>
<td>1,179.4</td>
<td>1,145.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>67,532</td>
<td>37,747</td>
<td>78.9</td>
<td>218.1</td>
<td>123.2</td>
<td>78.3</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>54,545</td>
<td>25,034</td>
<td>117.9</td>
<td>81.1</td>
<td>117.1</td>
<td></td>
</tr>
</tbody>
</table>

Earnings per share (EPS)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>292</td>
<td>135</td>
<td>116.3</td>
<td>0.94</td>
<td>0.44</td>
<td></td>
</tr>
</tbody>
</table>

Dividends per ordinary share (1)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>72</td>
<td>35</td>
<td>116.2</td>
<td>0.23</td>
<td>0.11</td>
<td>109.1</td>
</tr>
</tbody>
</table>

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.
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 Alcura, 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 1 January 2015 was HUF 3,334. The share price increased by approximately 38 percent to HUF 4,904 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 2.1 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 3.9 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 Eurofrst 300 indices

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 8.33 per share, 33 percent of the nominal share value. The record dates for these dividend payments were announced on 13 May 2015 with payments having commenced on 15 June 2015.
The Company reports formally to shareholders four times a year, simultaneously with the announcement of its quarterly non-audited financial results and publishes its Annual Report, which primarily includes audited financial data no later than the date of the Annual General Meeting. The AGR of the Company takes place in Budapest and formal notifications sent to shareholders at least 10 days in advance of the meeting. At the Meeting a business presentation is made to shareholders by the Managing Director and all Directors are available during the meeting to respond to questions.

Management, principally the Managing Director and investor relations staff, maintain a dialogue with institutional shareholders on Company performance and objectives through a programme of conferences, regular meetings, conference calls and investor roadshows. Representatives of the IR Department of Gedeon Richter Plc. participated at 3 international conferences and 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. In addition, 4 additional conference calls were arranged on request.

In 2015, the Company continued to participate in a number of investor conferences, seminars and roadshows. 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: analysts@richter.hu) and information (including an Investor Relations section) is made available on the Company’s Website. Regular annual conferences and 3 additional investor roadshows were organised during the year following publication of the quarterly reports of the Company. In addition, 4 additional conference calls were arranged on request.

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

The Company purchased 130,000 treasury shares on the Budapest Stock Exchange during 2015. A further 851,704 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 purchased by the Company from its subsidiaries and 375,304 shares were acquired on the OTC market.

The total number of shares in issue at 188,374,860 as of 31 December 2015 remained unchanged from the levels reported as at 31 December 2014.

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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 KELLER Zrt. as clearing company, global custodians and nominees.

<table>
<thead>
<tr>
<th>Ownership structure on 31 December 2015</th>
<th>Ordinary shares</th>
<th>Voting rights</th>
<th>%</th>
<th>Share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic ownership</td>
<td>59,499,460</td>
<td>31.48</td>
<td>31.34</td>
<td></td>
</tr>
<tr>
<td>State ownership total</td>
<td>47,051,817</td>
<td>25.36</td>
<td>25.25</td>
<td></td>
</tr>
<tr>
<td>out of which MNV Zrt.</td>
<td>47,051,668</td>
<td>25.36</td>
<td>25.25</td>
<td></td>
</tr>
<tr>
<td>out of which Municipality</td>
<td>149</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Institutional investors</td>
<td>5,498,517</td>
<td>2.95</td>
<td>2.95</td>
<td></td>
</tr>
<tr>
<td>Retail investors</td>
<td>3,839,116</td>
<td>2.05</td>
<td>2.05</td>
<td></td>
</tr>
<tr>
<td>International ownership</td>
<td>126,745,169</td>
<td>68.30</td>
<td>68.00</td>
<td></td>
</tr>
<tr>
<td>Institutional investors</td>
<td>124,293,699</td>
<td>66.98</td>
<td>66.68</td>
<td></td>
</tr>
<tr>
<td>out of which Aberdeen Asset Mgmt. Plc.</td>
<td>18,243,530</td>
<td>9.83</td>
<td>9.79</td>
<td></td>
</tr>
<tr>
<td>Retail investors</td>
<td>2,451,470</td>
<td>1.32</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td>Treasury shares*</td>
<td>811,655</td>
<td>0.00</td>
<td>0.44</td>
<td></td>
</tr>
<tr>
<td>Undisclosed ownership</td>
<td>408,576</td>
<td>0.22</td>
<td>0.22</td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>186,374,860</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

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

On December 31, 2015, the Board of Directors held 39,365 ordinary shares, the Supervisory Committee 1,506 ordinary shares and the Executive Board members held 23,176 ordinary shares, in total 64,047 shares.

Membership of the Company’s Board is shown in pages 20-23 of the Annual Report.
5. Corporate Governance

Corporate Governance principles and practice implemented by the Company are in accordance with the guidelines set by the Budapest Stock Exchange and the directions 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 acts 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 more than a quarter of the shareholders are present, or where there is a lack of 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, 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 representation. 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 more than a quarter of the shareholders are present, or where there is a lack of 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, 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 representation.

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The Corporate Governance and Nomination Subcommittee is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and terms 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.

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6. Company's Boards

### Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. William de Gelsey</td>
<td>1992</td>
</tr>
<tr>
<td>Mr. Erik Bogsch</td>
<td>1947</td>
</tr>
<tr>
<td>Mr. János Csák</td>
<td>1962</td>
</tr>
<tr>
<td>Mr. Csaba Lantos</td>
<td>1962</td>
</tr>
<tr>
<td>Mr. Christopher William Long</td>
<td>1938</td>
</tr>
</tbody>
</table>

**Mr. William de Gelsey (1926)**
Senior advisor to CAIB 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)**

**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, WestTel – now T Mobile, Matav – 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. László Kovács (1944)**

**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.

**Dr. Gábor Galúcsi (1958)**

**Dr. Gábor Gulácsi (1941)**

**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 12 years. From 2007 to 2009 regional director for...
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   Annual Report Gedön Richter 2015

Executive Board

Prof. Dr SZILVESTER E. VIZI (1936)

Dr KRISZTÁN ZÖLNYEI (1966)

Mr ÉRIK BOGCH (1947)

Dr ISTVÁN GÖRÖG (1946)
Appointed Research Director in 2014. Chemical engineer (MSc), 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 2008 he also became responsible for the new recombinant biotechnological activity of the Company.

Dr GÁBOR GULÁCSI (1958)

Mr LÁJOS KOVÁCS (1960)

Mr SÁNDOR KOVÁCS (1960)

Mr ANDRÁS RADÓ (1954)

Mr György Thaler (1956)

Supervisory Board

Prof. Dr ATTILA CHIKÁN (1944)

Dr JONATHÁN ROBERT 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 Fő Ferenc Hospital from 2005 to 2011. Currently head physician and general director of Saint Imre Hospital. Joined the Supervisory Board in 2012. Member of the Audit Board.

Mrs TAMÁS NÉMÉSZ (1948)
Chartered accountant, qualified tax expert. Has a certified public accountant. Managing director and owner of SÁH Economies 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 enhanced levels. With Richter since 1972. Formerly laboratory technician, official in charge of innovation, then technician. 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 KOZDÁSOVÁKOVÁČ (1962)

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 ROBERT BEDROS (re-elected),
Mrs TAMÁS NÉMÉSZ (re-elected),
Mrs Klára Csikós Kovácsné (elected employee representative) and
Dr ÉVA KOZDÁSOVÁKOVÁČ (elected employee representative).

Membership of the Supervisory Board for Mr Jeno Fodor and Wéber Tibor 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 ROBERT BEDROS and Mrs TAMÁS NÉMÉSZ as members of the Audit Board for a 3 year period until the 2018 AGM.

Mr SÁNDOR KOVÁCS the late Commercial Director of Gedön Richter passed away in 2015. With effect from 19 October 2015 Mr ÉRIK BOGCH, 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:

- 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Key risk management methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomics Factors</td>
<td>Changes in macroeconomic factors affecting the Company’s markets, especially the declining solvency due to the Russian-Ukrainian crisis and the decreasing of oil price</td>
</tr>
<tr>
<td>Competition and Pricing</td>
<td>The impact on the Company’s market position and results of increasing generic competition and declining consumer prices in a competitive market</td>
</tr>
<tr>
<td>Healthcare Budget</td>
<td>The potential impact on the Company of changes and monetary restrictions in healthcare budgets and regulations (price reductions, restrictions on re-imbursement and the acceptability of treatments applicable for remuneration applications)</td>
</tr>
</tbody>
</table>

2. Operational risks

<table>
<thead>
<tr>
<th>Description</th>
<th>Key risk management methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original and biosimilar R&amp;D</td>
<td>The risk relating to the success of original and biosimilar research and manufacturing activities</td>
</tr>
<tr>
<td></td>
<td>To focus on the original R&amp;D activity on the CNS and Women’s Healthcare field</td>
</tr>
<tr>
<td></td>
<td>To set up the milestones regarding the original and biosimilar R&amp;D activity</td>
</tr>
<tr>
<td></td>
<td>Assessment of programs and decision making with the involvement of advisory boards and international experts according to the international standards</td>
</tr>
<tr>
<td></td>
<td>Interestingly partners to increase risk and to provide co-financing</td>
</tr>
<tr>
<td>The increasing complexity of Company activity, more diversified markets</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>Company level projects for the promotion of the new Women’s Healthcare portfolio and the launch of biosimilars</td>
</tr>
<tr>
<td></td>
<td>Strengthening market presence and sales network in Western Europe</td>
</tr>
<tr>
<td></td>
<td>Establish sales network in Latin America</td>
</tr>
<tr>
<td></td>
<td>Increase ownership ratio in Chinese and Latin American businesses</td>
</tr>
</tbody>
</table>

3. Compliance risks

<table>
<thead>
<tr>
<th>Description</th>
<th>Key risk management methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Authority Regulators, Quality Requirements, Quality Assurance</td>
<td>The risk of compliance with Authority’s regulations and More frequent inspections due to original product launches</td>
</tr>
<tr>
<td></td>
<td>Implementing Quality systems and Standard Operating Procedures (SOP)</td>
</tr>
<tr>
<td></td>
<td>Monitoring the compliance with health authority regulations</td>
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<tr>
<td></td>
<td>Separate projects to prepare for inspections</td>
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<tr>
<td>Intellectual Property, Patents and Litigations</td>
<td>The risk relating to patents and patent rights</td>
</tr>
<tr>
<td></td>
<td>Complementing and monitoring of intellectual property and patents</td>
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<td></td>
<td>Enforcement of patent rights</td>
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<td>Risk minimising agreements</td>
</tr>
<tr>
<td>Contracts and Liabilities</td>
<td>The risk relating to managing contractual liabilities and enforcing contractual terms</td>
</tr>
<tr>
<td></td>
<td>Centralised contracting processes</td>
</tr>
<tr>
<td></td>
<td>Special treatment of unique contracts</td>
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8. Litigation Proceedings

There were no litigation proceedings that materially impacted the business of Gedeon Richter Plc. during 2015.
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Erik Bogsch – Managing Director

We made good progress in further strengthening the market position of ESMYA® in all of our markets. In May 2015 the Euro-

I am delighted to present Richter's excellent performance in 2015, which I consider to be one of the most successful years in

Innovation is a key element in our strategy, as it ensures our Company's future in the long term. Therefore, I personally pay par-

As another step on the way of broadening our Women's Healthcare franchise, we announced a collaboration agreement with

We are pleased to report that LENZETTO®, an estradiol spray for treating menopause symptoms, licensed in from Acrux, an

In September 2015 a license and collaboration agreement established with Palatin Technologies in September 2014 was ter-

We completed the acquisition of Mediplus NL by purchasing the outstanding stake of the company in 2015, following an ini-

We completed the acquisition of Mediplus NL by purchasing the outstanding stake of the company in 2015, following an ini-

Richter’s management was very pleased to announce in January 2015 positive top-line results from a Phase III 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 was received together with our US partner Allergan (earlier Forest / Actavis), was a result of a strenuous effort to consider the medical 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 team work. 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.

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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 chemotherapy, the European Medicines Agency (EMA) acknowledged that it accepted Richter’s regulatory submission for its proposed biosimilar to Amgen’s Neulasta in December 2015. Both products are expected to be launched with both the Richter and STADA labels in geographical Europe following the patent expiry of the original product.

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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 the pharmaceutical industry, the well-known issue of increasingly limited novel development pipelines resulted in destabilizing 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 age populatation 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 garnered 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 internal M&A activities which has resulted in an unprecedented concentra -

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 portfolios 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

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 a time when they had complete novelty. Since then the Company has consistently utilized its pharma ceutical manufacturing facilities to undertake the required complex and lengthy development processes which result in high quality gynecological 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 Woman’s Healthcare 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 Raya, an 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 2010 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 ESRH® to Latin America in 2013. Consequently, Richter acquired stakehold ing 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 Colombian affiliate all these initiatives are focused on the negotiation of specialty prod ucts belonging to the Women’s Healthcare product portfolio, targeting oral contraceptives and ESRH® combined with the establishment of a related sales network. The net has been in 2015 to complete the acquisition of Neobasol, a well-established market ing 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.
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 flushes, depression, mood swings, loss of libido, vaginitis and loss of bone mineral density).

ESMYA®

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 containing ulipristal acetate to up to two courses of three-month treatment of uterine fibroids.

Following the acquisition of Q-Preguen in 2010, Richter received exclusive licensing rights to develop and market ESMYP 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 country launch of esmya® with reimbursement

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Launch of Esmya® with reimbursement

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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 revision of ibuprofen use, 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, Slovenia, Austria, Portugal, Slovakia and Spain.

ESMYA® reported total sales were EUR 40.8 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-Paera – Gynaecologist, Spain

‘ESMYA® is very important for the control of bleeding, because it enables us to help these patients to recover from anaemia. 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 feel anymore. Her Herpes 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 Bauch – 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 imme-

dately after my treatment, and finally I am a mother of a one year-old baby boy. This is great.’

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dately 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.
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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 and research 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 Disorder

Bipolar disorder affects approximately 1.6 million people in the United States. Bipolar disorder is also known as manic-depressive illness. People with bipolar disorder experience "mood episodes" ranging from manic episodes (i.e., overexcited, extremely irritable, racing thoughts, difficulty 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 burdens 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, functioning and working memory).

Cariprazine

Cariprazine is an oral, once daily antipsychotic approved for the acute treatment of adult patients with mania or mixed episodes associated with bipolar disorder, with a recommended dose range of 3 to 6 mg/day and for the treatment of schizophrenia adults, with a recommended dose range of 3.75 to 5 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 disorder is unknown, the efficacy of cariprazine could be mediated through a combination of partial agonist activity at central dopamine D2 and serotonin 5-HT1A receptors and antagonist activity at serotonin 5-HT2A receptors. Pharmacodynamically, cariprazine acts as a partial agonist at the dopamine D2 and D3 receptors with high binding affinity and at the serotonin 5-HT1A receptors. Cariprazine acts as an antagonist at 5-HT1D and 5-HT1E receptors with high and moderate binding affinity as well as it binds to the 5-HT2A receptors. Cariprazine shows lower binding affinity to the serotonin 5-HT2A and 5-HT2C receptors and has no appreciable affinity for cholinergic muscarinic receptors.

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

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

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 could 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 I have achieved it.

Dr György Domány (currently employed as an advisor, earlier Head of Medical Chemistry Laboratory;) 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 molecular which could become eventually an approved and commercialised product.
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 by 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 successfully designed and carried out international clinical trials. Finally, this professionally sound and determined research team always found the viable solution whenever the project was challenged.

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 the result we had to examine and analyse the physical, chemical, toxicological and efficacy 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. "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.

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## V. Appendices  93
Innovation and the research of original drug molecules have been key elements in the Company’s strategy since its founda-
tion 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 schizophre-
nia and mania associated with bipolar I disorder. However, the Agency indicated more information would be needed. During
2014 a number of filings in ongoing clinical trials. The structure and content of the modified application was discussed
with the FDA and a consequent the updated new file was resubmitted in December 2014. In June 2015, the US Author-
ity notified the two companies that a certain response to an earlier question about the cariprazine NDA (New Drug Applica-
tion) 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 mania 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 WILEX® on 16 March 2016.

Other Phase III clinical studies regarding both relapse prevention and efficacy in patients with predominantly negative symp-
toms 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 proce-
dure. 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 differen-
tiation and for potential price negotiations, offering treatment for a currently unmet medical need. Our Japanese partner,
Mitsubishi Tanabe Pharma, is also conducting Phase III clinical trials to fulfil the regulatory requirements for product introduc-
tion 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 elim-
nated from the clinical portfolio. At the end of the year, besides cariprazine the Company has a research portfolio of 11 ongo-
ing 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 ESMMIP were submitted to the
EMA in August 2014. In May 2015 the European Commission (EC) granted approval for the intermediate use of ESMMIP 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. Noneth-
less standing 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 knowl-
edge, a strategy decision was made by the management in 2006 to start recombinant biotechnological activities at the Com-
pany. The Hamburg based Richter-Helm Biologics, established jointly with Helm AG carries out development and manufac-
turing 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 treat-
ment 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 EMRA. The regulatory procedure is expected to be completed in the next 12-15 months.

The Company considers it essential to establish partnerships to fast track 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 clini-
cal phases. In this regard partnerships with the US-based Allergan (later Forest / Actavis) and with the Japanese company 
MitsubishiTanabe Pharma have contributed substantially to the Company’s research activity. In particular Richter’s experi-
ence in preclinical stage is complementary with Allergan’s (later Forest / Actavis) experience in clinical trials. Richter fur-
ther 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 
Ono Corporation. According to the agreement signed in 2013 the partnership provides an opportunity whereby the two com-
panies jointly select and bring forward three discovery phase candidates and share all the development related expenses on 
an equal base.

In addition to the comprehensive and long term licensor and collaboration agreements signed in late-2010 with Mochida Phar-
macetical Co. Ltd. in respect of the development and marketing of Richter’s biosimilar portfolio, we have announced 
in August 2011 two separate biologic and collaboration agreements in respect of the development and marketing of two bi-
similar 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 an exclusive license 
and distribution agreements to commercialise Richter’s biologic 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 innovation, 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 biosimilars studies on several active pharmaceutical ingredi-
ents and finished products continued during the year. Licensing-in activity contributes to the continuous development of the 
product portfolio.

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

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredients</th>
<th>Therapeutic area</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMLATOR amlodipine</td>
<td>Cardiovascular, antihypertensive</td>
<td>Serbia</td>
<td></td>
</tr>
<tr>
<td>MIDIANA drospirenone</td>
<td>Women’s Healthcare, oral contraceptive</td>
<td>Bulgaria, Romania</td>
<td></td>
</tr>
<tr>
<td>SIBILLA dienogest</td>
<td>Women’s Healthcare, contraceptive</td>
<td>Bulgaria, Romania</td>
<td></td>
</tr>
<tr>
<td>RESTIGULIN aripiprazole</td>
<td>Central nervous system, antipsychotic</td>
<td>Hungary, Czech Republic</td>
<td></td>
</tr>
<tr>
<td>BIDOP bisoprolol</td>
<td>Cardiovascular, antihypertensive</td>
<td>Serbia</td>
<td></td>
</tr>
<tr>
<td>CARIDION - Richter</td>
<td>Neurology</td>
<td>Serbia</td>
<td></td>
</tr>
<tr>
<td>SIBILLA</td>
<td>Central nervous system, antipsychotic</td>
<td>Hungary, Czech Republic</td>
<td></td>
</tr>
<tr>
<td>SIBILLA</td>
<td></td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>RESTIGULIN</td>
<td>Neurology, antipsychotic</td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>LISVY®</td>
<td></td>
<td>Ukraine, Kazakhstan, Romania, Tajikistan</td>
<td></td>
</tr>
<tr>
<td>BIDOP bisoprolol</td>
<td>Cardiovascular, antihypertensive</td>
<td>Russia, The Netherlands, India, Sweden, Poland</td>
<td></td>
</tr>
</tbody>
</table>

Licensed-in products

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredients</th>
<th>Therapeutic area</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAVPIRIL - Richter</td>
<td>Acebesate</td>
<td>Cardiovascular, antihypertensive</td>
<td>Portugal</td>
</tr>
<tr>
<td>SIBILLA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTIGULIN</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Group reported in 2015 a 20.7 percent in HUF terms (23.8 percent in EUR terms) decrease in its spending on research and 
development which totalled in HUF 17.6 million (EUR 82.3 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

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 an 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 wider 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 inter-
national pharmaceutical legislation, including the rules and guidelines issued by public institutions and agencies such as the
Economic Medicine and the European Medicines Agency (EMEA) and the U.S. Food and Drug Administration (FDA).

Richter recognises that currently it is considered primarily to be a branded generic pharmaceutical manufacturer. Whilst the
company has a portfolio of branded products, it 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’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
areas. 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 has become an important role for the Group to move into product portfolio. This is accom-
mplished partly as an expansion of our existing generic product line and partly via providing high added value products includ-
ing original compounds in the field of Women’s Healthcare or in other therapeutic areas.

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 its products, safety and effi-
ciency in accordance with strict regulations. All corporate quality assurance units in charge of quality assurance play a major role in monitoring and implementing the quality assurance process, 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.

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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.
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 H2-blocker QUAMATEL (famotidine) in 2015.

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.

**Table of Top 10 Products**

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredient</th>
<th>Therapeutic area</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral contraceptives</td>
<td>hormones</td>
<td>Women’s Healthcare, oral contraceptives</td>
<td>huFm</td>
<td>huFm</td>
<td>huFm</td>
</tr>
<tr>
<td>CAVINTON</td>
<td>vinpocetine</td>
<td>Central nervous system, nootropic</td>
<td>90,680</td>
<td>86,340</td>
<td>4,340</td>
</tr>
<tr>
<td>GASTRONORM</td>
<td>ramipril</td>
<td>Cardiovascular, antihypertensive</td>
<td>12,012</td>
<td>14,102</td>
<td>(2,090)</td>
</tr>
<tr>
<td>LISONORM</td>
<td>ramipril</td>
<td>Cardiovascular, antihypertensive</td>
<td>9,624</td>
<td>9,836</td>
<td>(212)</td>
</tr>
<tr>
<td>AFLAMIN*</td>
<td>aceclofenac</td>
<td>Non-steroid antiinflammatory</td>
<td>7,042</td>
<td>7,928</td>
<td>(886)</td>
</tr>
<tr>
<td>QUAMATEL</td>
<td>famotidine</td>
<td>Gastrointestinal, antisecretory</td>
<td>6,757</td>
<td>7,481</td>
<td>(724)</td>
</tr>
</tbody>
</table>

**Subtotal**

208,814

**Other**

105,033

104,258

104,258

9.0

**Total**

308,910

305,149

3,761

1.2

**Share of the TOP 10 products**

67.0% 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.
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 (6 percent in Euro terms) when compared to 2014.

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 (HUFm)</th>
<th>2014 (HUFm)</th>
<th>Change (HUFm)</th>
<th>% Change (HUFm)</th>
<th>2015 (EURm)</th>
<th>2014 (EURm)</th>
<th>Change (EURm)</th>
<th>% Change (EURm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>30,910</td>
<td>30,149</td>
<td>761</td>
<td>2.5</td>
<td>109.9</td>
<td>103.5</td>
<td>6.4</td>
<td>6.2</td>
</tr>
<tr>
<td>EU *</td>
<td>107,778</td>
<td>109,169</td>
<td>-1,391</td>
<td>-1.3</td>
<td>346.7</td>
<td>321.2</td>
<td>25.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Poland</td>
<td>21,577</td>
<td>19,805</td>
<td>2,772</td>
<td>14.1</td>
<td>68.7</td>
<td>64.1</td>
<td>5.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Romania</td>
<td>8,986</td>
<td>8,885</td>
<td>101</td>
<td>1.2</td>
<td>32.7</td>
<td>31.9</td>
<td>2.7</td>
<td>0.7</td>
</tr>
<tr>
<td>EU 10</td>
<td>24,378</td>
<td>24,013</td>
<td>365</td>
<td>1.5</td>
<td>78.0</td>
<td>77.7</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>EU 15</td>
<td>52,641</td>
<td>49,863</td>
<td>2,778</td>
<td>5.6</td>
<td>148.6</td>
<td>146.6</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>CIS</td>
<td>111,964</td>
<td>125,759</td>
<td>-13,815</td>
<td>-11.0</td>
<td>361.6</td>
<td>407.3</td>
<td>(45.7)</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Africa</td>
<td>17,761</td>
<td>19,247</td>
<td>-1,486</td>
<td>-7.7</td>
<td>50.3</td>
<td>55.2</td>
<td>-9.1</td>
<td>-16.2</td>
</tr>
<tr>
<td>Latin America</td>
<td>5,997</td>
<td>5,766</td>
<td>231</td>
<td>4.0</td>
<td>18.3</td>
<td>18.8</td>
<td>0.5</td>
<td>2.7</td>
</tr>
<tr>
<td>USA</td>
<td>18,103</td>
<td>16,072</td>
<td>2,031</td>
<td>12.6</td>
<td>58.5</td>
<td>52.1</td>
<td>6.4</td>
<td>12.3</td>
</tr>
<tr>
<td>China</td>
<td>10,849</td>
<td>13,412</td>
<td>-2,563</td>
<td>19.3</td>
<td>44.1</td>
<td>41.5</td>
<td>5.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Total</td>
<td>308,910</td>
<td>305,149</td>
<td>3,761</td>
<td>1.2</td>
<td>997.5</td>
<td>988.4</td>
<td>9.1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

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

Hungary's economy performed well in 2015 with GDP growth of 2.0 percent. Increase in industrial production, record-low interest rate and strong domestic demand contributed to the rise 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

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredients</th>
<th>Therapeutic area</th>
<th>Launch date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORTHOESTR* progestogen + EE*</td>
<td>Women's Healthcare, contraceptive (patch)</td>
<td>Q1 2015</td>
<td></td>
</tr>
<tr>
<td>RESTIGULIN aripiprazole</td>
<td>Central nervous system, antipsychotic</td>
<td>Q3 2015</td>
<td></td>
</tr>
</tbody>
</table>

Note: *Licenced-in product.

TOP 10 products in Hungary

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredient</th>
<th>Therapeutic area</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral contraceptives</td>
<td>hormones</td>
<td>Women's Healthcare, oral contraceptive</td>
<td>3,048</td>
<td>3,021</td>
<td>(27) (0.9)</td>
</tr>
<tr>
<td>LISONORM naproxen</td>
<td>Cardiovascular, analgesic</td>
<td>971</td>
<td>974</td>
<td>3 (0.3)</td>
<td></td>
</tr>
<tr>
<td>PANANGIN asparaginates</td>
<td>Cardiovascular, cardiac therapy</td>
<td>1,005</td>
<td>1,005</td>
<td>0 (0)</td>
<td></td>
</tr>
<tr>
<td>TANYDON vinpocetine</td>
<td>Central nervous system, antipsychotic</td>
<td>1,983</td>
<td>1,946</td>
<td>37 (1.9)</td>
<td></td>
</tr>
<tr>
<td>QUTER rosuvastatin</td>
<td>Cardiovascular, cholesterol lowering</td>
<td>1,567</td>
<td>1,405</td>
<td>162 (11.5)</td>
<td></td>
</tr>
<tr>
<td>QUAMATEL famotidine</td>
<td>Gastrointestinal, antiulcer</td>
<td>1,055</td>
<td>1,025</td>
<td>30 (2.9)</td>
<td></td>
</tr>
<tr>
<td>XETER rosuvastatin</td>
<td>Cardiovascular, cholesterol lowering</td>
<td>1,594</td>
<td>1,430</td>
<td>164 (11.5)</td>
<td></td>
</tr>
<tr>
<td>LAMOLEP lamotrigine</td>
<td>Central nervous system, antiepileptic</td>
<td>1,457</td>
<td>1,452</td>
<td>5 (0.3)</td>
<td></td>
</tr>
<tr>
<td>CAVINTON vinpocetine</td>
<td>Central nervous system, antipsychotic</td>
<td>1,026</td>
<td>1,026</td>
<td>0 (0)</td>
<td></td>
</tr>
<tr>
<td>ORTHOESTR* progestogen + EE*</td>
<td>Women's Healthcare, contraceptive (patch)</td>
<td>1,005</td>
<td>1,005</td>
<td>0 (0)</td>
<td></td>
</tr>
</tbody>
</table>

Note: *Licenced-in product.

Share of the TOP 10 products in Hungary

<table>
<thead>
<tr>
<th>Brand name</th>
<th>Active ingredient</th>
<th>Therapeutic area</th>
<th>Share of the TOP 10 products in Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral contraceptives</td>
<td>hormones</td>
<td>Women's Healthcare, oral contraceptive</td>
<td>41.6%</td>
</tr>
<tr>
<td>LISONORM naproxen</td>
<td>Cardiovascular, analgesic</td>
<td>31.2%</td>
<td></td>
</tr>
<tr>
<td>PANANGIN asparaginates</td>
<td>Cardiovascular, cardiac therapy</td>
<td>9.4%</td>
<td></td>
</tr>
<tr>
<td>TANYDON vinpocetine</td>
<td>Central nervous system, antipsychotic</td>
<td>7.4%</td>
<td></td>
</tr>
<tr>
<td>QUTER rosuvastatin</td>
<td>Cardiovascular, cholesterol lowering</td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>QUAMATEL famotidine</td>
<td>Gastrointestinal, antiulcer</td>
<td>5.4%</td>
<td></td>
</tr>
<tr>
<td>XETER rosuvastatin</td>
<td>Cardiovascular, cholesterol lowering</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>LAMOLEP lamotrigine</td>
<td>Central nervous system, antiepileptic</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td>CAVINTON vinpocetine</td>
<td>Central nervous system, antipsychotic</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>ORTHOESTR* progestogen + EE*</td>
<td>Women's Healthcare, contraceptive (patch)</td>
<td>3.7%</td>
<td></td>
</tr>
</tbody>
</table>

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 decline characterised 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 (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.

<table>
<thead>
<tr>
<th>Sales to TOP 10 international markets</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>297.7</td>
<td>273.8</td>
<td>(16.1)</td>
</tr>
<tr>
<td>Poland</td>
<td>69.7</td>
<td>64.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Germany</td>
<td>64.0</td>
<td>66.5</td>
<td>(2.5)</td>
</tr>
<tr>
<td>China</td>
<td>54.4</td>
<td>44.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Romania</td>
<td>28.7</td>
<td>28.8</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Ukraine</td>
<td>26.6</td>
<td>55.0</td>
<td>(28.4)</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>24.8</td>
<td>23.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>23.3</td>
<td>24.8</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Switzerland</td>
<td>21.1</td>
<td>18.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Subtotal</td>
<td>629.2</td>
<td>642.6</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Total international sales</td>
<td>887.6</td>
<td>884.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Share of the TOP 10 international markets</td>
<td>70.9%</td>
<td>72.8%</td>
<td></td>
</tr>
</tbody>
</table>

International sales analysis by region (%)
According to the preliminary estimate by the 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 221.2 million (EUR 63.7 million) in 2015. The main contributor to the sales increase was the strong fx impact that positively affected the sales of our leading product, GROWING. Furthermore, a number of products showed sales growth during the reported period, notably CAINTON, LEVOSERT and PROTEVASC. Romania’s economy, supported by several tax cuts, low interest rate and higher domestic consumption, expanded at 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 18.4 million), an increase of 35.3 percent higher than in 2014, primarily due to the good performance of ESMYA®. Sales in Spain exceeded the previous year’s results by EUR 3.0 million, primarily due to higher ESMYA® sales. Turnover in Italy totalled 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 France the Group’s turnover amounted to EUR 21.0 million in 2015, 3.8 percent lower than 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 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 663.6 million (EUR 25.9 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, VERSIPROG, LINALIDE and ESMPRO contributed the most to the turnover achieved. Slovakia’s growth continued in 2015 at a rate of 5.6 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 16.7 million in 2015 which was 0.5 percent lower compared to 2014. Sales of the range of oral contraceptives, together with CAINTON, 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, 10.8 percent lower when compared to 2014. The primary reason for the decline was the termination of the licensing agreement of AQINEX. 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 region sales of the Group’s pharmaceutical segment. 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.
Plunge in oil prices, weakening Ruble, international sanctions and structural crisis characterized Russia during 2015. According to a flash estimate published by the Federal Statistics Service (Rosstat), the economy contracted by 2.7 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). As 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 Ruble against EUR (31.5 percent) had occurred in Russia year-on-year, which could not be entirely offset by increasing Ruble 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 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) 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 in the USA totalled US$ 64.8 million (EUR 58.5 million) in 2015, a decrease of 6.5 percent in USD terms (an increase of 12.3 percent in EUR terms) when compared to 2014. Revenues resulting from the dapsone 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 China amounted to US$ 4.4 million (EUR 3.4 million) in 2015, 23.4 percent (2 percent in USD terms) higher than in 2014, primarily due to both higher CAINTON sales and a one-off prepayment 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.
Latina 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 41.1 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, the Company listed presentation of the Women’s Health- care (WH) franchise is provided below. This therapeutic area includes the following product groups and therapeutic indica- tions: oral contraceptives and contraceptive patch, emergency contraceptives, contraceptive devices, menopausal care, preg- nancy care and obstetrics, gynaecological infections and other gynaecological conditions, including the treatment of uterine myomases.

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 2012 amounted to EUR 40.7 million, 2.8 percent below the base period figure. ESMYA® sales amounted to EUR 48.8 million in 2015, compared to the EUR 51.5 million turnover recorded in 2014.

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

In Hungary WH sales totalled HUF 5,013 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 Hun- gary in May 2012 and the product was granted 90 percent reimbursed status in February 2013. Reimbursed status for the inter- mittent use in the long term management of uterine fibroids of ESMYA® was granted in September 2015. LISVY® a contracep- tive patch licensed in from Bayer HealthCare was launched in Hungary during the same month.

Sales of WH products represented 5.0 percent of the turnover in this region in 2015.

WH sales in Poland increased by PLN 3.3 million totalling PLN 48.8 million (EUR 11.7 million) in 2015, while in Romania turnover increased by RON 0.8 million and amounted to RON 24.9 million (EUR 6.6 million) during the reported year.

In the EU12 region WH sales totalled EUR 14.2 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 EU12 countries altogether represented 15.3 percent of the Group’s WH sales to the whole EU region.

In the traditional 15 EU Member States WH sales amounted to EUR 241.0 million in 2015, showing a healthy EUR 24.1 mil- lion or 20.8 percent growth over the levels recorded in 2014. This region contributed 77 percent of total WH turnover. 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 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®.

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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 EUS region during 2015, due to the efficient work of the recently established sales force teams.
Annual Report | Gedeon Richter 2015

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

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

China
Sales of RHT totalled EUR 13.5 million in the reported year, 22.5 percent lower than in 2014.

Latin America
Sales of RHT totalled US$ 16.9 million (EUR 13.3 million) in the reported year, showing a 25.9 percent decline (increase of 1.3 percent in EUR terms) compared to the level achieved in the previous year.

Rest of the World
RHT 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.
f) Corporate Social Responsibility

Conducting our business in an 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 all 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 hold IPPC (Integrated Pollution Prevention and Control) permits. Renewal of these IPPC permits 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 is 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 (OHSM) 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 Döng, the audit held in 2015 confirmed that both Laboratories met the relevant standard (ISO 14001:2004-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 familiarize 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 minimize 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 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 strategy plan has been developed. According to this, we submitted 1.3 REACH registration dossiers for own-developed APIs intermediates during the reporting 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 detection 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 Döng site. The first part of the construction was completed during 2015.

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Community Involvement

Richter management have always been aware of the importance of community involvement. We recognize that as a leading pharmaceutical manufacturer and employer in Hungary 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 health-care, 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 to 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’ initiatives are impressive: 47 towns have benefited and 115,000 people have participated, with their presence increasing by at least HUF 135 million Richter’s initial donation. Over the 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 health warnings. Screened patients, when needed, have received prompt advice about further treatment options.

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 accidents is carried out by 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 SVEE 2 Directive, the Döng site has been re-rated as “Higher Tier” while the Velócis site has been rated 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 secured, one of them severely. Both of them were employees of a subcontractor of Richter who had neglected 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.

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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 15 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.

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 year on year decline reflects the reduced level of personnel in R&D and in sales and marketing.

To support lifelong learning and efficiency we initiated a number of organisational development projects.

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.

We encourage and support all our people in fully developing their capabilities with a range of high quality learning and development activities 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 activities. 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.

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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 increasing ly 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.

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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.

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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 2008, 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. Nine 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 place a high priority on the health and well-being of all our people. We believe that a healthy workforce is essential to the continued growth and development of the Company, and our employees are encouraged to participate in a wide range of health-related activities designed to promote the physical and psychological welfare and to help employees cope with demanding roles.

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 well-being 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 workplace 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.

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.

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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.

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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.

Pharmafarma 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.

<table>
<thead>
<tr>
<th>Country</th>
<th>2015 EURm</th>
<th>2014 EURm</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>133</td>
<td>132</td>
<td>0.7</td>
</tr>
<tr>
<td>Romania</td>
<td>49,353</td>
<td>40,356</td>
<td>10.0</td>
</tr>
<tr>
<td>Other CIS republics</td>
<td>13,143</td>
<td>12,054</td>
<td>9.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>1,021</td>
<td>6,580</td>
<td>27.3</td>
</tr>
<tr>
<td>Total</td>
<td>52,571</td>
<td>55,621</td>
<td>14.9</td>
</tr>
</tbody>
</table>

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.
### Business Segment Information

<table>
<thead>
<tr>
<th>Pharmaceuticals</th>
<th>Wholesale and retail</th>
<th>Other</th>
<th>Eliminations</th>
<th>Group total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Audited</td>
<td>2014 Audited</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HUFm</td>
<td>HUFm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>308,910</td>
<td>305,149</td>
<td>63,491</td>
<td>55,459</td>
<td>4,002</td>
</tr>
</tbody>
</table>

#### Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 Audited</th>
<th>2014 Audited</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>149,596</td>
<td>134,747</td>
<td>11.0</td>
</tr>
<tr>
<td>Poland</td>
<td>20,532</td>
<td>19,066</td>
<td>7.6</td>
</tr>
<tr>
<td>Russia</td>
<td>52,771</td>
<td>49,896</td>
<td>5.7</td>
</tr>
<tr>
<td>CIS</td>
<td>122,058</td>
<td>115,328</td>
<td>6.0</td>
</tr>
<tr>
<td>EU 15</td>
<td>221,459</td>
<td>214,059</td>
<td>3.5</td>
</tr>
<tr>
<td>Other CIS</td>
<td>33,979</td>
<td>33,722</td>
<td>0.8</td>
</tr>
<tr>
<td>China</td>
<td>16,103</td>
<td>16,444</td>
<td>-2.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>9,057</td>
<td>8,287</td>
<td>9.3</td>
</tr>
<tr>
<td>Total</td>
<td>365,220</td>
<td>353,709</td>
<td>3.3</td>
</tr>
</tbody>
</table>

#### Notes
- *All Member States of the European Union, except for Hungary.
- **EU**
- **CIS**
- **EU 15**
- **Other CIS**
- **China**
- **Latin America**
- **Rest of the World**

### Consolidated Turnover

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 Audited</th>
<th>2014 Audited</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUFm</td>
<td>HUFm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>365,220</td>
<td>353,709</td>
<td>3.3</td>
<td></td>
</tr>
</tbody>
</table>

### Key Financial Data

- **Total revenues**: 365,220 HUFm (353,709 HUFm)
- **Gross profit**: 221,459 HUFm (214,059 HUFm)
- **Net profit**: 54,545 HUFm (25,034 HUFm)
- **Operating margin**: 18.5% (10.7%)
- **Profit before income tax**: 60,577 HUFm (25,705 HUFm)
- **Net profit**: 54,545 HUFm (25,034 HUFm)
- **Earnings per share**: 8.75 (4.04)
- **Gross margin %**: 60.6% (60.5%)
- **Operating margin %**: 18.5% (10.7%)
- **Net profit %**: 14.9% (7.1%)

**Sales and Change**

- **2015**
- **2014**
- **Change %**

**Notes**
- *Sales amounts were converted into HUF.
- **Note**: **Key Financial Data**

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**Gross margin %**: 60.6% (60.5%)
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- **Sales and Change**
- **2015**
- **2014**
- **Change %**

**Notes**
- *Sales amounts were converted into HUF.
- **Note**: **Key Financial Data**
Sales and marketing expenses amounted to HUF 38,320 million (EUR 117.7 million) in 2015, a decline of 3.4 percent in HUF terms (2.9 percent in EUR terms) when compared with 2014. Lower Russian, Ukrainian and Polish marketing expenses (largely in all three countries included sales force reductions) and the devolution of both Russia and Ukraine to lower cost centers contributed to the significant year-on-year increase. 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 GC acquired from Grünenthal in the amount of HUF 4,477 million represented 1.2 percent of sales achieved in the reported period. After adjustment for this amortisation, 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 61.5 million) in 2015, representing a 1.3 percent in HUF terms (4.6 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 (25.8 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 Roma. R&D expenses decreased significantly year-over-year primarily due to the fact that the rotation of additional clinical trials of caripramine has been postponed to 2016.

Other income and other expenses decreased to an expense of HUF 1,306 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 WRTX-12 from Pellegrini with milestone payments which were received from STAIDA with regard to bimedic 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 PIERGER gains recorded on China turnover which amounted to HUF 1,408 million (EUR 4.5 million).

In 2015 an accrual of HUF 126 million (EUR 0.4 million) was made in respect of the 20 percent tax obligation payable with regard to royalty income 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 includes liquidation amounting to HUF 2,764 million (EUR 12.2 million) in respect of the class-action 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 class-action lawsuit by Romanian authorities.

The final tranche of a deferred payment (DP-60 million) relating to the acquisition of Pegam-mv 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 (loans) of both projects.

Profit from operations increased substantially by 78.0 percent in HUF terms (79.3 percent in EUR terms) and amounted to HUF 17,532 million (EUR 528.1 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 caripramine FDA approval. Higher turnover, substantially lower S&M and R&D expenses together with further milestone payments received from STAIDA also contributed to the significant year-on-year increase. The consolidated operating margin increased 18.5 percent during the reported period from the 10.7 percent reported in 2014.

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, which in total amount to HUF 2,867 million (EUR 9.3 million). The conversion of Forex related items resulted in an HUF 1,052 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 1,486 million (EUR 4.8 million) to the results achieved.

Income from associates and joint ventures amounted to HUF 1,592 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 113.5 million) compared with 2014.

Profit for the year was HUF 54,956 million (EUR 176.2 million), HUF 23,511 million (EUR 75.6 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 biobase 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 20,827 million (EUR 64.5 million) during the reported year to HUF 56,277 million (EUR 173.9 million). It increased to 14.9 percent of sales with 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 740,334 million on 31 December 2015, HUF 252,117 million, or 4.0 percent higher than that reported at 31 December 2014.

Non-current assets amounted to HUF 430,794 million on 31 December 2015, a 4.5 percent above the amount as of 31 December 2014. The increase in Property, plant and equipment was primarily due to the construction of 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 Intangible assets decreased as a combined result of the termination of the co-operation and licensing agreement on bremelanotide, of the cancellation of the PregMag F1 project and of the foreign exchange difference at year-end related to the Euro interbank rate.

Current assets amounted to HUF 309,540 million and increased by HUF 10,676 million (3.3 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 (Johnson & Johnson) in respect of the marketing authorisation granted to cetroparin. The impact thereof was partly offset by the repayment of a total of EUR 46 million in respect of loans contracted with the Euro-exchange rate changes.

The Parent Company assumes responsibility for the financing of subsidiaries through parent company loans as sole funding providers 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 fit 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 does not apply the hedge accounting rules under IAS39/IFRS9 for these transactions. The management of FX risk is periodically reviewed by the Board of Directors.

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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 (%)

- CAPEX at manufacturing subsidiaries: 83%
- Other: 17%
- License: 4%
- Support for manufacturing: 3%
- Biotechnology: 13%
- R&D (excluding biotechnology): 13%

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
Consolidated Financial Record

Consolidated Balance Sheet

At 31 December

2015
2014
HUFm
HUFm

ASSETS
Non-current assets
435,794
435,340
Property, plant and equipment
175,935
169,558
Goodwill
64,880
61,086
Other intangible assets
150,827
152,580
Investments in associates and joint ventures
7,149
7,458
Other financial assets
26,414
24,184
Deferred tax assets
1,467
3,995
Loans receivable
5,953
9,021
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
368
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)
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
15,345
14,684
Capital reserves
15,214
15,214
Foreign currency translation reserves
3,475
3,475
Non-current liabilities for available for sale investments
3,923
1,896
Deferred tax liability
8,080
4,830
Other non-current liabilities and accruals
1,617
1,019
Provisions
2,268
2,795
Current liabilities
72,733
93,470
Borrowings
6,523
14,684
Trade payables
36,293
36,293
Current tax liabilities
4,026
281
Other payables and accruals
24,403
40,222
Provisions
1,907
1,107

For the year ended 31 December

Consolidated Income Statement

2015
2014
HUFm
HUFm

Total revenues
385,220
353,709
Cost of sales
213,961
195,092
Gross profit
171,259
158,617
Sales and marketing expenses
15,405
14,768
Administration and general expenses
19,160
18,997
Research and development expenses
44,625
41,043
Other income and other expenses (net)
(1,949)
(1,271)
Profit from operations
67,322
37,747
Finance income
24,730
25,290
Finance costs
19,058
21,426
Net financial loss
(5,558)
(4,936)
Share of profit of associates and joint ventures
201
212
Profit before income tax
66,072
33,633
Income tax
(5,192)
(781)
Profit for the year
60,880
32,852
Profit attributable to:
Owners of the parent
56,477
24,950
Non-controlling interest
4,403
322
Other comprehensive income for the year
8,655
389
Total comprehensive income for the year
69,535
33,241
Attributable to:
Owners of the parent
65,580
33,339
Non-controlling interest
3,955
392
Earnings per share (EPS)
Basic
292
135
Diluted
292
135

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Consolidated income Statement

For the year ended 31 December

2015
2014

€m
€m

Total revenues
3,175.4
3,185.7

Cost of sales
(464.3)
(482.4)

Gross profit
715.1
693.3

Sales and marketing expenses
(317.0)
(329.9)

Administrative and general expenses
(85.6)
(89.0)

Research and development expenses
(112.4)
(144.8)

Other income and other expenses (net)
(36.5)
(38.8)

Profit from operations
210.1
122.3

Finance income
18.3
76.7

Finance costs
(138.1)
(114.1)

Net financial loss
(26.6)
(41.6)

Profit attributable to:
Owners of the parent
195.3
180.9

Non-controlling interest
1.2
0.9

Average exchange rate (EUR/HUF)
308.67
308.74

Consolidated Statement of Comprehensive income

Profit for the year
176.1
81.3

Items that will not be reclassified to profit or loss:

 Unrealised loss on investment defined benefit plans
(0.1) (0.1)

Items that may be subsequently reclassified to profit or loss:

 Other comprehensive income for the year
28.1
1.4

Other comprehensive income for the year
20.6
1.0

Total comprehensive income for the year
204.1
82.4

Attributable to:

Owners of the parent
175.3
80.8

Non-controlling interest
0.8
0.3

Earnings per share (EPS)

Basic
0.94
0.44

Diluted
0.94
0.44