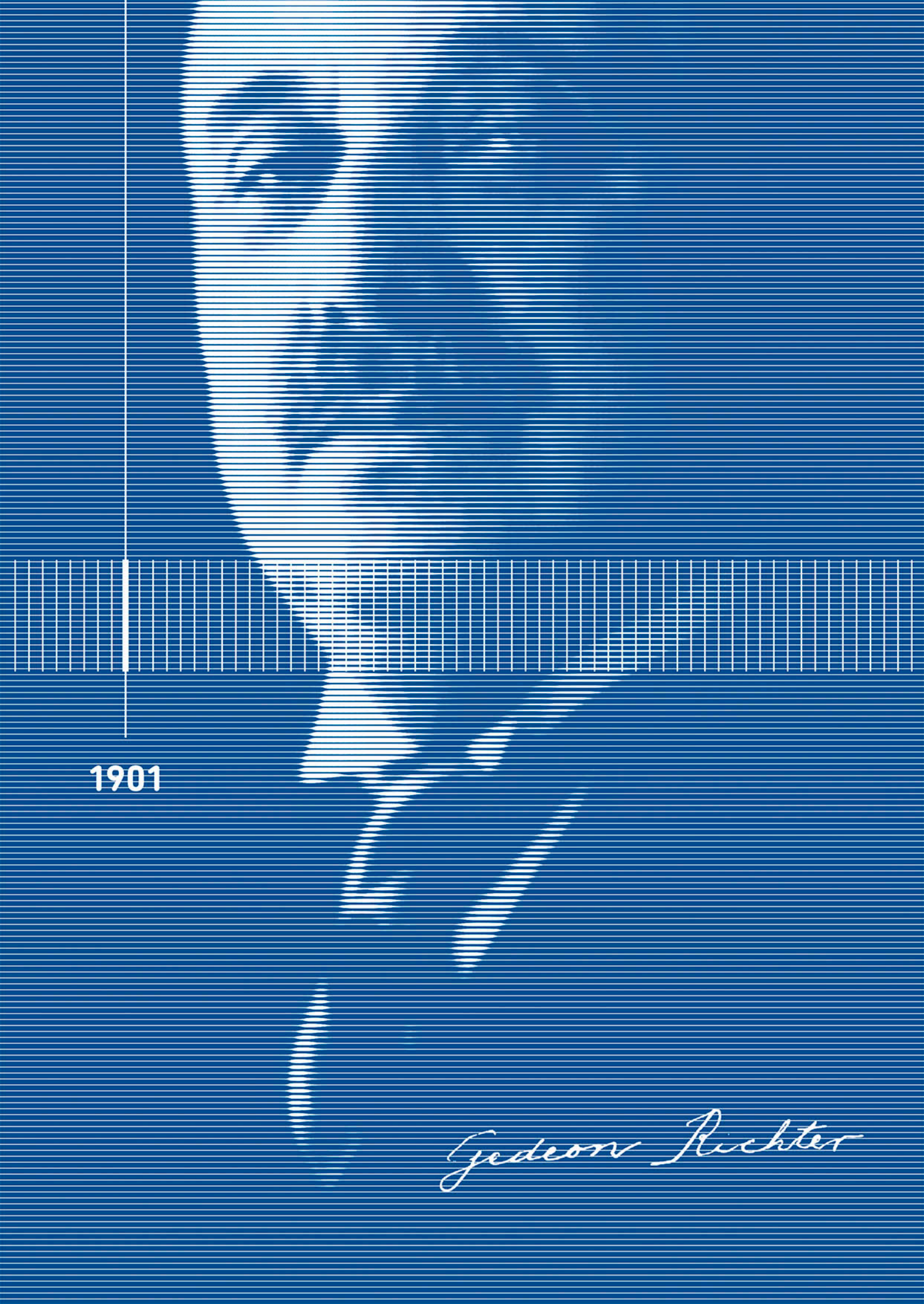
GEDEON RICHTER
ANNUAL REPORT

2011


1901
Gedeon Richter

Delivering quality therapy

through generations

2011

CONTENTS

RICHTER GROUP – FACT SHEET

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

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

PARENT COMPANY DATA

Headquarters	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 27., Hungary
Phone	+36 1431 4000
Fax	+36 1260 4891
E-mail	posta@richter.hu
Website	www.richter.hu
Established	1901
Main activity	Research, development, manufacturing and marketing of pharmaceutical products
VAT Number	10484878-2-44
	HU 10484878
Share capital	HUF 18,637,486,000
Number of shares issued	18,637,486
Auditor	PricewaterhouseCoopers Auditing Ltd.
Shares listed at	Budapest Stock Exchange ISIN: HU0000067624
	Luxembourg Stock Exchange ISIN: US3684672054
GDRs	issued by BNY Mellon
	GDR / Ordinary share ratio = 1:1

INVESTOR RELATIONS DEPARTMENT

Address	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 10., Hungary
Phone	+36 1431 5764
Fax	+36 1261 2158
E-mail	investor.relations@richter.hu
Website	www.richter.hu

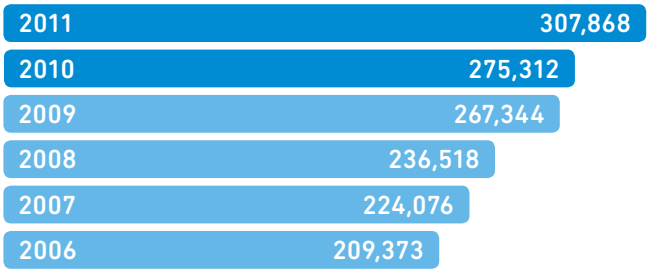
CONSOLIDATED FINANCIAL HIGHLIGHTS

2011

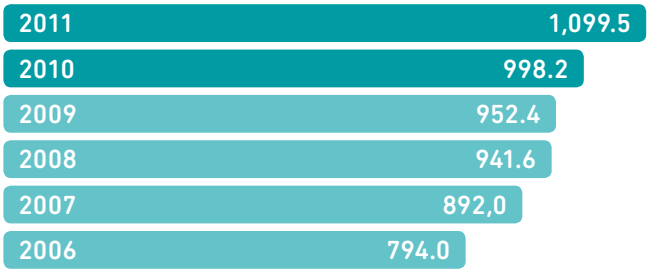
CONSOLIDATED FINANCIAL HIGHLIGHTS

	2011	2010	Change	2011	2010	Change
	HUFm	HUFm	%	EURm	EURm	%
Total revenues	307,868	275,312	11.8	1,099.5	998.2	10.1
Profit from operations	60,927	62,653	-2.8	217.6	227.2	-4.2
Profit for the year	49,552	64,640	-23.3	177.0	234.4	-24.5
	2011	2010	Change	2011	2010	Change
	HUF	HUF	%	EUR	EUR	%
Earnings per share (EPS)	2,649	3,460	-23.4	9.46	12.54	-24.6
Dividends per ordinary shares	660	860	-23.3	2.36	3.12	-24.4

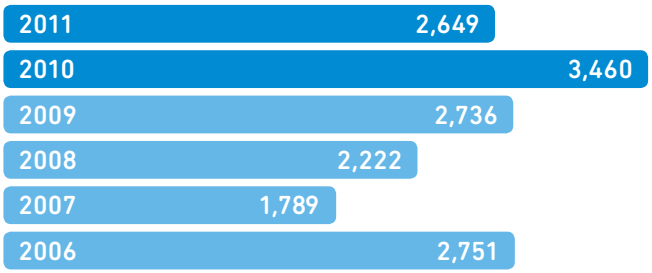
Revenues • HUFm



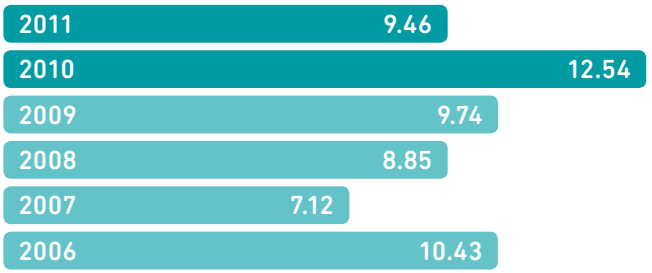
Revenues • EURm



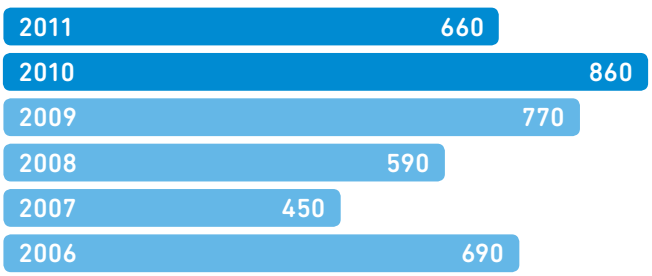
Earnings per share • HUF



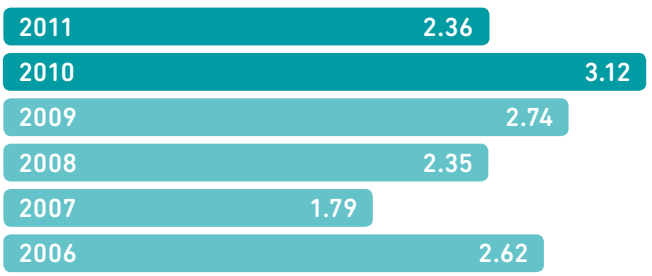
Earnings per share • EUR



Dividends per ordinary share • HUF



Dividends per ordinary share • EUR



Notes: Earnings per share calculations were based on the total number of shares issued.
The amount of 2011 dividend per ordinary share is HUF 660 as proposed by the Board of Directors.

CHAIRMAN'S STATEMENT

I am pleased to present Richter's Annual report for 2011. Notwithstanding the turmoil in the Eurozone equally in Hungary, the year in which your Company celebrated its 110th year anniversary was marked by sound growth. It was the first time that sales of the Group exceeded the one billion Euro mark following a heavy expansion in the CIS and Western Europe while margins were also satisfactory.

Notwithstanding a tightening of regulatory environment Richter achieved sales growth globally. It is true that recent Hungarian regulatory changes have as yet to exercise their full impact. Despite the pharmaceutical industry's importance to the Hungarian economy, the Government has instituted measures which negatively impacted on the entire industry.

Richter's two female healthcare acquisitions in late 2010 started to bear fruit in 2011. The acquisition from Grünenthal besides positively impacting on the Group's financial results also prepared the ground for the launch of ESMYA® in key Western European markets in 2012. I am delighted to inform you that in December 2011 ESMYA® was granted positive opinion by the European Authorities and we received marketing authorisation in February 2012 for the 5 mg tablet as pre-operative treatment of symptoms of uterine myoma. We also received exclusive marketing rights for ESMYA® for the treatment of uterine myoma in Russia, in the other CIS Republics, and in China which offer further potential valuable income for this novel molecule.

I am further glad to report that in the year under review our original research made an important break through with cariprazine which has successfully passed Phase III clinical trials for the treatment of bipolar mania and for schizophrenia. We are seeing good chances for such innovative original products as cariprazine and ESMYA® in the USA. I also have good news to record on our biotechnology project in Debrecen with the capital expenditure related to the manufacturing unit being completed and expected to be fully operational during 2012.

In conclusion, I would like to underline that all the above results were achieved in spite of adverse macroeconomic environment which prevailed during 2011 so may I, on behalf of the Board, record special recognition and thanks to Mr Erik Bogsch, the Managing Director, and his management and supporting team, both at home and abroad.

Company will continue to strive to create increasing value for its shareholders.

William de Gelsey, KCSG
Chairman

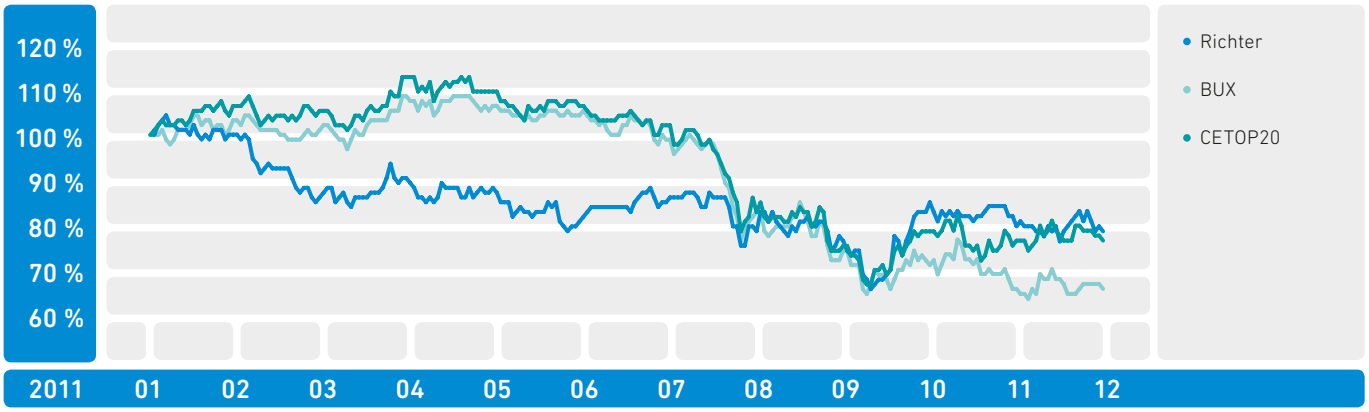
DIRECTORS' REPORT

2011

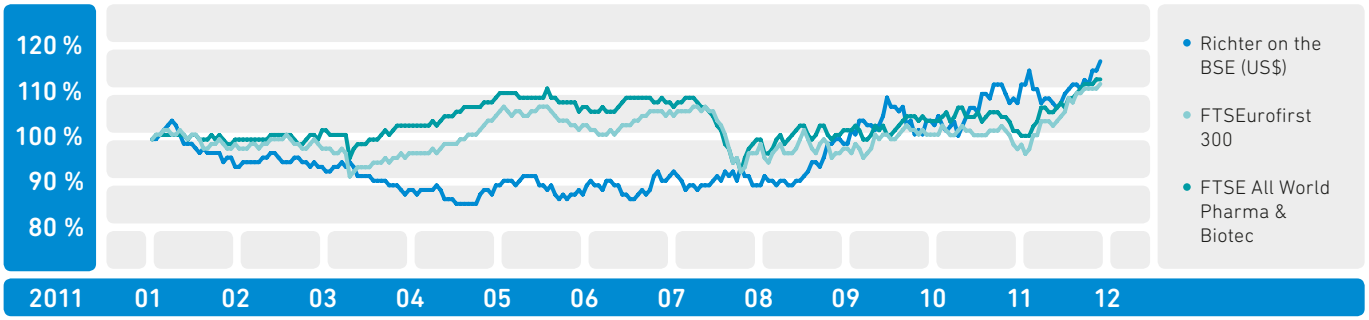
INFORMATION FOR SHAREHOLDERS

SHAREHOLDERS' HIGHLIGHTS

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



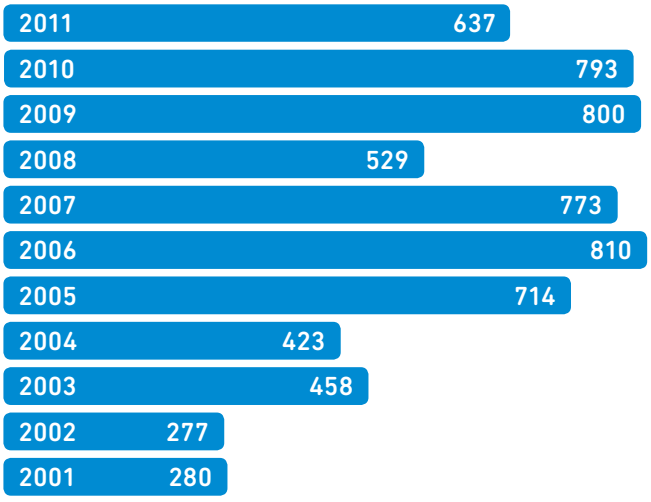
Gedeon Richter share price on the Budapest Stock Exchange compared to FTSEurofirst300 and FTSE All World Pharma & Biotec indices



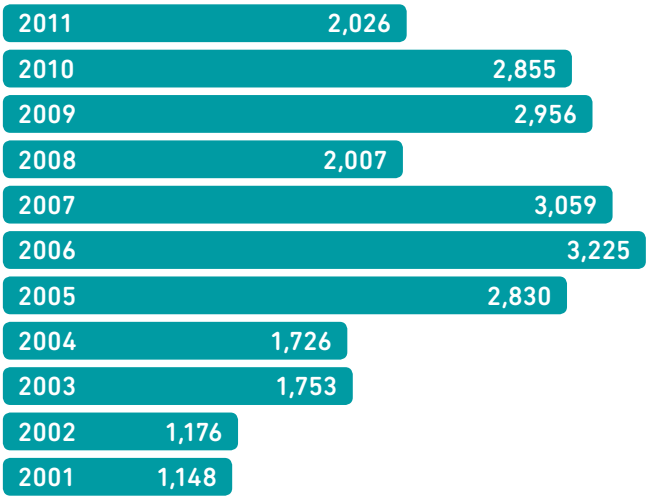
MARKET CAPITALISATION

The company's market capitalisation followed the performance of its share price on the Budapest Stock Exchange and by the end of 2011 at HUF 637 billion reflected a 19.6 percent decrease, in HUF terms when compared to its value recorded on 31 December 2010. Market capitalisation on 31 December 2011 in Euro terms was EUR 2.0 billion, 31.0 percent lower than the EUR 2.9 billion amount recorded on 31 December 2010.

Market Capitalisation • HUFbn



Market Capitalisation • EURm



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

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 2012 at Budapest 1143, Stefánia út 34.

INVESTOR RELATIONS ACTIVITIES

The Company reports formally to shareholders four times a year, simultaneously with the announcement of its quarterly non-audited results and publishes its Annual Report including audited financial statements no later than the date of the Annual General Meeting. The AGM of the Company takes place in Budapest and formal notification is sent to shareholders at least 30 days in advance of the meeting. At the Meeting a business presentation is made to shareholders by the Managing Director, and all Directors are available during the meeting to respond to questions.

Management, principally the Managing Director and investor relations staff, maintain a dialogue with institutional shareholders on Company performance and objectives through a programme of conferences, regular meetings, conference calls and investor roadshows. Representatives of the IR Department of Gedeon Richter Plc. participated at 4 international conferences and 3 additional investor roadshows in 2011. Gedeon Richter's management also held 19 meetings for approximately 38 fund managers and analysts at its headquarters where the Company's business progress and financial results were presented. Regular conference calls were organised during the year, following publication of the quarterly reports of the Company.

Conferences in 2011

UBS	'EMEA One on One Conference'	London	21-22 June, 2011
BoAML	'Global Healthcare Conference'	London	14-15 September, 2011
Erste	'Investor Conference'	Stegersbach	3-4 October, 2011
ING	'14th Annual EMEA Forum'	Warsaw	29-30 November, 2011

Investor roadshows in 2011

London-Edinburgh	9-11 Febuary, 2011
London	16 September, 2011
New York, Boston	20-21 September, 2011

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

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

Analysts providing regular coverage about the company during 2011

Bank of America Merrill Lynch	Mr Jamie Clark
Concorde	Mr Attila Vágó
Credit Suisse	Mr Mark Wadley
Deutsche Bank	Mr Gergely Várkonyi
Erste	Ms Vladimíra Urbánková
Goldman Sachs	Mr Anton Farlenkov, Ms Yulia Gerasimova
ING	Mr Luke Poloniecki
Jefferies	Mr James Vane-Tempest
KBC	Mr Gergely Pálffy
Morgan Stanley	Mr Peter Verdult
Raiffeisen	Mr Daniel Damaska
Renaissance Capital	Ms Natasha Zagvozdina, Ms Ulyana Lenvalskaya
UBS Warburg	Mr Martin Wales, Mr Guillaume van Renterghem
UniCredit	Ms Adriana Marin
Wood	Mr Bram Buring

DIVIDEND

In accordance with the reviewed dividend policy of 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 2011.

Dividends approved by the shareholders of the Company at the Annual General Meeting held on 27 April 2011 totalled HUF 16,009 million (EUR 58.8 million) in respect of 2010. The portion payable in relation to ordinary shares amounted to HUF 860 per share, 86 percent of the nominal share value. The record dates for these dividend payments were announced on 19 May 2011 with payments having commenced on 15 June 2011.

INFORMATION REGARDING RICHTER SHARES

SHARES IN ISSUE

The total number of shares in issue as at 31 December 2011 remained unchanged from the levels reported as at 31 December 2010.

TREASURY SHARES

Shares held by the Company in Treasury

	31 December 2011	31 December 2010
Number	124,399	11,424
Nominal value (HUF '000)	124,399	11,424
Book value (HUF '000)	4,468,276	494,430

The number of shares held in Treasury increased during 2011. The Company purchased 206,374 treasury shares on the Budapest Stock Exchange during 2011 in addition to a further 45,667 acquired on the OTC market throughout the year.

Based on a decision of the Board of Directors of Gedeon Richter Plc., 90,866 shares held by the Company in Treasury were granted as bonuses during 2011 to qualified employees participating in the bonus share programme as well as to members of staff rendering outstanding performance.

Due to a repurchase obligation stipulated in the programme approved by the Ministry of Finance related to employee share bonuses, the Company repurchased 773 shares from employees who resigned from the Parent company during 2011.

In line with a programme approved by the Ministry of Finance related to employee share bonuses in respect of years 2009-2011, on 19 December 2011 the Company granted 48,973 shares for 4,760 of its employees for 2011. The value of these shares amounted to HUF 1,767 million. These shares will be deposited at the employees' individual securities accounts at UniCredit Bank Hungary Zrt. until they vest on 2 January 2014.

On 3 January 2011, following the expiry of the lock-up period the Company was able to remove all restrictions on 59,473 Richter ordinary shares granted to its employees on 15 December 2008 during the third year of a three-year programme approved by the Ministry of Finance in respect of years 2006-2008, thereby enabling these shares to be traded.

The total number of Company shares at Group level held in Treasury at 31 December 2011 was 134,949.

REGISTERED SHAREHOLDERS

There were no significant changes relating to the shareholder structure of the Company during 2011. The shares held by the Hungarian State Holding Company (MNV Zrt.) remained at 25 percent, approximately the same level as at 31 December 2010 with a further approximately 5 percent being owned by the Pension Reform and Debt Reduction Fund. The proportion held by domestic investors increased slightly to about 7 percent while that of international investors slightly decreased to about 62 percent. The proportion of treasury shares was approximately 1 percent at the end of December 2011.

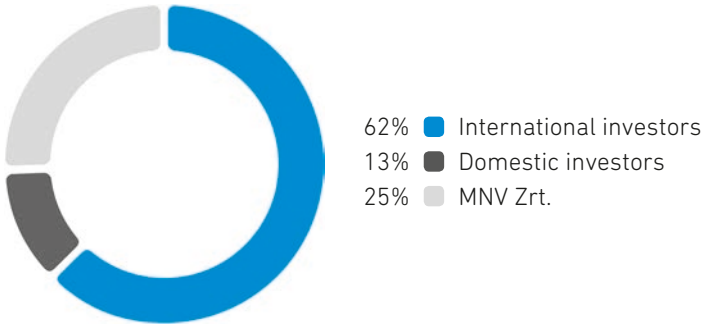
Data in the table next page was compiled based on the share registry adjusted for information provided by KELER Zrt. as clearing company, global custodians and nominees.

Detailed ownership structure as of 31 December 2011

Ownership	Ordinary shares	Voting rights	Share capital
	Number	%	%
Domestic ownership	**6,898,705**	**37.28**	**37.01**
MNV Zrt. (Hungarian State Holding Company)	4,700,370	25.40	25.22
Pension Reform and Debt Reduction Fund	957,021	5.17	5.13
Municipality	100	0.00	0.00
Institutional investors	596,859	3.23	3.20
Retail investors	644,355	3.48	3.46
International ownership	**11,599,041**	**62.69**	**62.24**
Institutional investors	11,527,116	62.30	61.85
out of which Bank of New York Mellon [1]	929,512	5.02	4.99
out of which Aberdeen Asset Management Plc.	2,503,184	13.53	13.43
out of which Skagen Kon-Tiki Verdipapirfond	968,258	5.23	5.20
Retail investors	71,925	0.39	0.39
Treasury shares [2]	**134,949**	**0.00**	**0.72**
Undisclosed ownership	**4,791**	**0.03**	**0.03**
Share capital	**18,637,486**	**100.00**	**100.00**

Notes: [1] The owners are global custodians or nominees acting as global custodians.
[2] Treasury shares include the combined ownership of the parent company and subsidiaries.

Detailed ownership structure as of 31 December 2011



SHARE OWNERSHIP BY COMPANY BOARD MEMBERS

Ordinary shareholdings by the members of the company's boards

	31 December 2011	31 December 2010
	Number of ordinary shares	Number of ordinary shares
Board of Directors	6,660	8,285
Supervisory Committee	535	368
Executive Board	7,924	5,449
Total	**15,119**	**14,102**

Membership of the Company's Boards is shown on pages 18-22 of the Annual Report.

RISK MANAGEMENT

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

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

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

Our risk management approach involves the following aspects:

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

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

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

2. Operational risks	Description	Key risk management methods
Qualified Workforce	The risk relating to retention of employees in key positions and ensuring a qualified workforce	– Periodic revision of HR strategy – Training plans, carrier and succession programs – Incentive and performance assessment system
Original R&D	The risk relating to the success of original research activities	– Continuous monitoring of the status and future potential of original researches – Assessment of programs and decision-making within the Research Council
Specialised Sales Force in Western Europe	The risk relating to the setup of a Western European sales force specialised in the promotion and marketing of our gynaecological products	– Launch of a Company level project to co-ordinate tasks across various operational units – Creation of a new unit for the management of the sales force – Undertaking and promotion of the new gynaecological portfolio, new product launches

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

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

CORPORATE GOVERNANCE

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

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

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

The Board of Directors is the ultimate decision-making body of the Company except with respect to those matters reserved for shareholders. A majority of Directors of the Board are Non-Executive Directors. All the non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The offices of Managing Director and Chairman are held separately. The latter is elected amongst the non-executive directors. The Board meets regularly, once a month, throughout the year. According to the Statutes, it has a formal schedule of matters reserved to it for decisions. The Board works to an agreed agenda in reviewing the key activities of the business and the Company's long-term strategy. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected at the AGM for a maximum term of 5 years. Two subcommittees of the Board were formed during 2004, which are to prepare and submit proposals contributing to the Board's decision making process. The subcommittees each consist of at least three non-executive independent Board directors.

The Corporate Governance and Nomination Subcommittee is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. This responsibility includes establishing the criteria for Board membership; conducting the appropriate inquiries into the background and qualifications of possible candidates; considering matters of corporate governance and reviewing periodically our Corporate Governance Principles.

The Compensation Subcommittee is responsible for establishing annual and long-term performance goals and objectives for our elected officers. This responsibility includes making recommendation to the Board of Directors with respect to cash-based incentive compensation plans and equity-based compensation plans; and setting the compensation of the Managing Director.

The Executive Board is responsible for the executive management of the Company's business. The Executive Board is chaired by the Managing Director. In order to maintain a sharp focus on strategic management the committee comprises only the Executive Directors.

Overseeing the management of the Company is the Supervisory Committee. It meets every month during the year in accordance with legal requirements and when necessary to consider details of the Company's operating activities. It submits proposals to the Board of Directors and discusses the Company's strategy, financial results, investment policy and system of internal audit and control. The Supervisory Committee is provided with regular and detailed information about the management of the Company. The Chairman of the Supervisory Committee may attend meetings of the Board of Directors as an advisor. The members of the Supervisory Committee are elected at the AGM for a maximum term of 3 years.

The Audit Committee is responsible for the oversight of the Company's internal accounting standards. The Committee consists of three independent members of the Supervisory Committee elected at the AGM.

COMPANY'S BOARDS

BOARD OF DIRECTORS

WILLIAM DE GELSEY (1921)
Senior adviser to CA IB Corporate Finance Limited, Member of UniCredit Markets & Investment Banking Division Vienna, London and Budapest. 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.

ERIK BOGSCH (1947)
Appointed Managing Director in 1992. Chemical engineer, qualified economic engineer. With Richter since 1970 in a number of Research and Development management positions. Medimpex director in Mexico from 1977 to 1983. Managing Director of Medimpex UK from 1988 to 1992. Member of the Board of MAGYOSZ, Chairman from 2006.

DR GÁBOR GULÁCSI (1958)
Appointed Deputy Managing Director upon joining the Company in 2000. Responsible for Finance. Economist, University doctorate in Economic Sciences. Previously General Secretary of State, Ministry of Economic Affairs. Joined the Board in 2010.

GERGELY HORVÁTH (1961)
Managing Director of Hungarian State Holding Company since 2010. Graduated from Budapest University of Technology, then studied for a degree in engineering economics as well as an MBA. In a number of significant positions, mostly in banking. CEO of KELER Zrt. for six years. Joined the Board in 2011.

DR JENŐ KOLTAY (1944)
PhD in Economics. Between 1991 and 2004 Director of the Institute of Economics of the Hungarian Academy of Sciences, currently head of the Public Economics research programme. Visiting professor at the Sorbonne during 1994-1997, Széchenyi professor of ELTE during 2000-2003, currently teaching at the Pannon University. Joined the Board in 1998.

DR LÁSZLÓ KOVÁCS (1944)

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

CSABA LANTOS (1962)

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

CHRISTOPHER WILLIAM LONG (1938)

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

DR TAMÁS MÉSZÁROS (1946)

Candidate of Economic Sciences, doctor representative of the Hungarian Academy of Sciences. Rector of the Budapest Corvinus University between 2004 and 2011. President of the Board of Directors of the Hungarian Privatisation and State Holding Company between 2002 and 2006. Joined the Board in 2006.

DR GÁBOR PERJÉS (1941)

Medical doctor, urologist, nephrologist. Assistant at the Postgraduate Medical School between 1966-1970. Member of Parliament from 1990 to 1994. Currently practising as a physician, head of department with Gyógyír XI. Public Company responsible for medical services in district XI of Budapest. Has been a member of the Board since 1992.

PROF DR SZILVESZTER E. VIZI (1936)

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


Erik Bogsch


Dr Gábor Gulácsi


Lajos Kovács


Sándor Kováts


András Radó


Dr Zsolt Szombathelyi


Dr György Thaler

EXECUTIVE BOARD

ERIK BOGSCH (1947)

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

DR GÁBOR GULÁCSI (1958)

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

LAJOS KOVÁCS (1960)

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

SÁNDOR KOVÁTS (1960)

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

ANDRÁS RADÓ (1954)

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

DR ZSOLT SZOMBATHELYI (1957)

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

DR GYÖRGY THALER (1959)

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

SUPERVISORY COMMITTEE

DR ATTILA CHIKÁN (1944)

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

ANDRÁS BALASKÓ (1972)

Employee representative. Chemical engineer, with Richter since 1995. Former Deputy Manager of Synthetic I. Plant. Currently Head of Materials Warehousing. Joined the Committee in 2009.

JÓZSEF ERŐS (1933)

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

JENŐ FODOR (1958)

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

DR MÁRIA BALOGH, JÁNOKINÉ (1951)

Economist with University doctorate in Economic Sciences. Executive Director at Magyar Hitelbank between 1987 and 1995. Director of OTP Bank from 1995 to December 2011. Has been a member of the Committee since 1990. Member of Audit Committee.

DR GÁBOR SIMON KIS (1940)

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

ANDRÁS SUGÁR S. (1956)

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

GÁBOR TÓTH (1955)

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

Changes to Boards during 2011

At the Annual General Meeting on 27 April 2011, the following were reappointed to the Board of Directors for a 3 year period until 30 April 2014:

– William de Gelsey
– Erik Bogsch
– Dr László Kovács
– Dr Tamás Mészáros
– Dr Gábor Perjés
– Prof Dr Szilveszter E. Vizi.

At the Annual General Meeting Gergely Horváth was appointed to the Board of Directors for a 3 year period until 30 April 2014.

István Somkuti resigned from his membership in the Board of Directors.

William de Gelsey was reelected as Chairman of the Board of Directors.

MANAGING DIRECTOR'S REVIEW

Notwithstanding the challenges surrounding us, Richter posted strong results for 2011. We also made good progress in implementing our strategy to be a well-balanced, focused and innovation-driven specialty pharmaceutical company.

I am pleased to report record sales levels for 2011. Our Group reported HUF 307,868 million (EUR 1,099.5 million) consolidated sales in 2011, which represented 12 percent growth (10 percent in Euro terms), when compared with 2010. Profit after taxation decreased by 23 percent (24 percent in EUR terms) in 2011 to a total of HUF 49,552 million (EUR 177.0 million). In our core activity, the pharmaceutical business, the following results were recorded during 2011:

An excellent 24 percent sales increase in EUR terms was reported in Russia. During the year the stabilizing rouble/euro exchange rate and the increasing crude oil revenue created a predictable political and economic environment. In Ukraine a good 14 percent increase in US$ terms in our sales was recorded primarily related to the political stabilisation which had a beneficial effect on the economic climate. Despite strong competition and sustained pressure from governments which resulted in both price erosion and lower reimbursement levels in almost all EU countries our Group reported an outstanding 32 percent sales growth in EUR terms compared to 2010. The positive performance was primarily due to the increased sales levels of the ex-Grünenthal oral contraceptive portfolio. In the USA, a 28 percent revenue decrease in US$ terms was primarily due to a decline in the contribution from the profit sharing agreement related to drospirenone with Teva-Barr combined with erosion in sales of APIs. Due to a difficult macroeconomic environment pharmaceutical market conditions in Hungary remained unfavourable throughout 2011. Under these circumstances we achieved a moderate 5 percent growth in HUF terms on the Company's domestic market.

Substantial healthcare budget constraints were evident throughout the year with, increasing pricing pressure on almost all of our markets in Europe. We continued to progress our medium-long term strategic objectives during 2011, namely to become step by step a specialty pharma company and in turn to increase the proportion of high added value products within our Company's portfolio.

One of our key specialty areas is female healthcare, as we provide one of the widest ranges of products available to women of all age groups. Gynaecological products represented 34 percent of our total turnover in 2011.

Following the acquisition of Grünenthal's well established oral contraceptive franchise, we expanded our sales network in the key EU15 countries, notably Germany, Italy and Spain. Further sales force personnel were hired in selected markets including Austria, Portugal and Switzerland by establishing new local companies. These actions boosted our gynaecological sales as well as expanded our female healthcare portfolio, which in turn provides a future opportunity to further strengthen this specialty business segment in most of our key regions.

I am very pleased to report that in accordance with the previously established schedule, in February 2012 the European Commission (EC) granted marketing authorization to ESMYA® 5mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids. This decision follows a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) in December 2011 and is applicable for all Member States in the European Union.

We announced the acquisition of PregLem Holding SA, a privately held Swiss pharmaceutical company focused on the treatment of gynaecological conditions and infertility in late 2010. This acquisition has strengthened Richter's core Women's Health business as it has broadened Richter's specialty pharma business whilst at the same time complements Richter's existing Women's Health expertise and product range. We are proceeding with all necessary regulatory steps and following completion of both the registration procedures and pricing applications we expect to launch ESMYA® in the key EU markets supported by the recently established sales and marketing teams. Watson Laboratories, Inc., who is our partner to develop and market ESMYA® in the U.S. and Canada, has already started the necessary clinical trials, which are required to support the registration and commercialization of ESMYA® in North America.

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

Although preliminary top-line results, released in February 2011, from a Phase II clinical trial of cariprazine in patients as adjunctive therapy in Major Depressive Disorder were not convincingly positive, a joint decision was made by the management of Richter and Forest, to conduct additional Phase II dose-response trials in order to examine a wider range of doses.

Following the release in October 2011 and also in February 2012 together with data from the 2008 trial of positive top line data from two Phase III clinical trials of cariprazine, in patients with acute mania associated with bipolar I disorder, we possess already three positive Phase III trials.

I am very pleased to report that in February 2012 we announced positive top-line results in two Phase III clinical trials of cariprazine for the treatment of acute exacerbation of schizophrenia. It is indeed very encouraging that following successful Phase III trials in bipolar mania and positive Phase III trials in schizophrenia, we may offer promising treatment options for both conditions. We now have three positive schizophrenia trials and three positive bipolar mania trials.

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

We are making progress in establishing a strong biological product line. We are close to completing the infrastructure supporting the complex process of development of biosimilar products. We, jointly with Helm AG, established the Hamburg based Richter-Helm Biologics which carries out development and manufacturing of microbial proteins. A biotechnology pilot plant in Budapest which became operational in 2009 has the capability to develop biosimilar versions of monoclonal antibodies. Meanwhile a greenfield investment on which construction commenced in Debrecen in 2008, progresses according to plan. This facility will enable us to produce the most complex mammalian cell products from 2012 onwards.

In August 2011 we, jointly with STADA Arzneimittel AG announced that the two companies have signed two separate license and collaboration agreements in respect of the development and marketing of two biosimilar products. With STADA we gained an excellent, high class cooperation partner whose traditionally strong presence and expertise in the field of developing and marketing both generic and biosimilar product groups, will contribute to fulfil our long term strategy. The development of both biosimilar products will continue under the leadership of Richter. STADA has agreed to provide support in respect of specific patent rights on both projects and with own biosimilar expertise also supports if necessary the relevant EU regulatory approval processes.

I would like to inform you that in June 2011 we signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period with the European Investment Bank ('EIB'). This agreement has as its aim the financing during the period of 2011-2014 of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of biosimilar products.

2011 was both a successful and challenging year for Richter. A good reputation is critical to our business success. We need to continue to earn and maintain the trust of our customers, collaborators and all those with whom we do business. The pace of change will not let up in 2012 but I remain confident that together we have the talent, motivation and commitment needed to improve the quality of life for patients. Finally, I am grateful for the dedication and hard work of all our employees.

Erik Bogsch
Managing Director

OPERATING REVIEW

2011

CONSOLIDATED TURNOVER

Richter is the largest Hungarian pharmaceutical company and comprises within the Group a number of subsidiaries, joint ventures and associated companies. In addition to its domestic market the Group sells Active Pharmaceutical Ingredients (APIs) and finished form drugs to nearly one hundred countries around the world. Richter has a traditionally strong brand name and a well established sales network in Hungary, in Central and Eastern European and CIS countries. In the 'traditional' 15 EU countries following the acquisition in late 2010 of the OC portfolio divested by Grünenthal and preparing for future sales of ESMYA® (ulipristal acetate) in Western Europe Richter expanded its sales network in Germany, Italy and Spain. Further sales force personnel have been added in selected markets including Austria, Portugal and Switzerland by establishing new local companies. By the end of 2011 the Group has established direct sales force teams in Western Europe in order to market and distribute its expanded female healthcare portfolio. In the USA Richter's products are marketed through a framework of strategic partnerships and long-term supply agreements.

The marketing activities of Gedeon Richter covers five continents. The Company is present in more than thirty countries thanks to its six subsidiaries and joint ventures in development and production, twenty-nine representative offices, thirty-five commercial and marketing companies.

Richter Group – Global Presence

▲ Subsidiaries and joint ventures in development and production
● Commercial and marketing companies
■ Representative offices

The activities of Richter Group are presented in this Consolidated Report as three operating segments. Those subsidiaries of the Group that are engaged in the core activities of research and development together with manufacturing 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 undertake either commercial or marketing activities or they provide services to group members belonging to the Pharmaceutical segment.

In 2011 consolidated sales amounted to HUF 307,868 million (EUR 1,099.5 million) a 11.8 percent increase (10.1 percent in Euro terms) when compared with 2010.

In the following table we present Group turnover analysed by region. A more detailed sales analysis by major market for the two key business segments can be found in the Annual Report on pages 31-38 and 39, respectively.

Sales by region

	2011	2010	Change		2011	2010	Change	
	HUFm	HUFm	HUFm	%	EURm	EURm	EURm	%
Hungary	35,683	33,759	1,924	5.7	127.4	122.4	5.0	4.1
EU *	108,916	93,304	15,612	16.7	389.0	338.3	50.7	15.0
Poland	19,503	18,153	1,350	7.4	69.7	65.8	3.9	5.9
Romania	36,287	37,870	-1,583	-4.2	129.6	137.3	-7.7	-5.6
EU 9	21,369	19,383	1,986	10.2	76.3	70.3	6.0	8.5
EU 15	31,757	17,898	13,859	77.4	113.4	64.9	48.5	74.7
CIS	124,410	103,242	21,168	20.5	444.3	374.3	70.0	18.7
Russia	88,598	70,348	18,250	25.9	316.4	255.1	61.3	24.0
Ukraine	14,698	13,603	1,095	8.0	52.5	49.3	3.2	6.5
Other CIS republics	21,114	19,291	1,823	9.5	75.4	69.9	5.5	7.9
USA	20,513	29,835	-9,322	-31.2	73.3	108.2	-34.9	-32.3
Rest of the World	18,346	15,172	3,174	20.9	65.5	55.0	10.5	19.1
Total	307,868	275,312	32,556	11.8	1,099.5	998.2	101.3	10.1

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

MARKETS – PHARMACEUTICAL SEGMENT

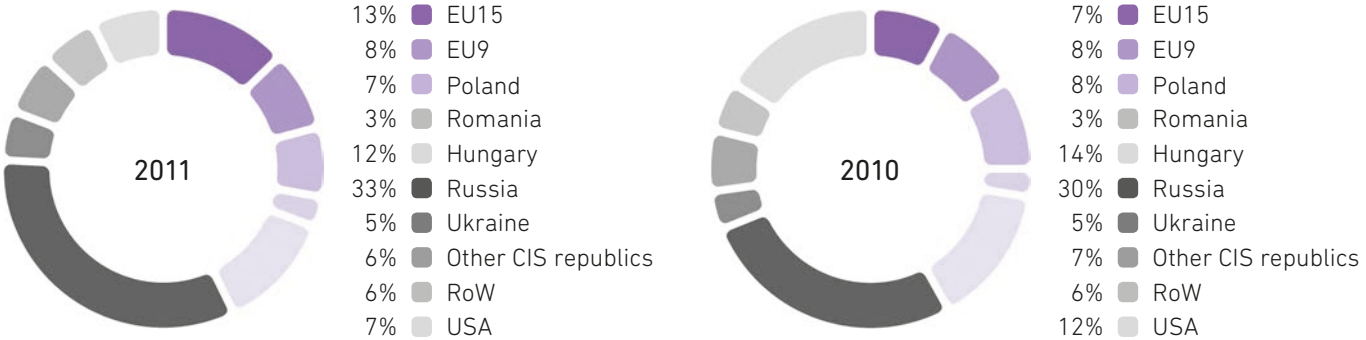
In the following sections we provide a brief summary of the yearly results for our core activity in each of our key countries and across all of our regions. Sales in the Pharmaceutical segment in 2011 totalled HUF 274,139 million (EUR 979.0 million), an increase of 15.1 percent (13.4 percent in Euro terms).

Sales by region

	2011	2010	Change		2011	2010	Change	
	HUFm	HUFm	HUFm	%	EURm	EURm	EURm	%
Hungary	34,029	32,330	1,699	5.3	121.5	117.2	4.3	3.7
EU *	84,757	63,303	21,454	33.9	302.7	229.5	73.2	31.9
Poland	19,635	18,291	1,344	7.3	70.1	66.3	3.8	5.7
Romania	8,697	8,130	567	7.0	31.1	29.5	1.6	5.4
EU 9	21,390	19,383	2,007	10.4	76.4	70.3	6.1	8.7
EU 15	35,035	17,499	17,536	100.2	125.1	63.4	61.7	97.3
CIS	119,226	100,149	19,077	19.0	425.8	363.2	62.6	17.2
Russia	88,598	70,348	18,250	25.9	316.4	255.1	61.3	24.0
Ukraine	14,150	12,908	1,242	9.6	50.5	46.8	3.7	7.9
Other CIS republics	16,478	16,893	-415	-2.5	58.9	61.3	-2.4	-3.9
USA	20,292	29,365	-9,073	-30.9	72.5	106.5	-34.0	-31.9
Rest of the World	15,835	13,002	2,833	21.8	56.5	47.1	9.4	20.0
Total	274,139	238,149	35,990	15.1	979.0	863.5	115.5	13.4

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

Sales analysis by region



HUNGARY

Despite the deepening global recession the Hungarian economy performed relatively well in 2011. GDP increased by 1.7 percent and consumer price inflation was 3.9 percent. In comparison EU27 GDP grew by 1.5 percent and inflation reached 3.1 percent.

The government's belt tightening measures aimed at keeping the fiscal deficit under control continued to influence the pharmaceutical market and resulted in significant price reductions in the year.

Richter implemented price reductions for a number of products on both 1 April and 1 July 2011 to avoid delisting in certain cases and, in others, for competitive reasons. The financial impact on sales of these price cuts amounted to HUF 0.9 billion. Further price decreases were implemented on 1 October which additionally impacted turnover by HUF 0.6 billion in the fourth quarter 2011.

Negotiations between pharmaceutical manufacturers and the representatives of the government resulted in an amendment to the 2007 drug economic act coming into force from 1 July 2011.

The 2007 drug economic act established that pharmaceutical companies were required to pay as a contribution to the nation's health care budget an amount equal to 12 percent of the reimbursement based on manufacturer price level to the Tax Authority. A medical representative fee was also reintroduced from 15 February 2009 in the amount of HUF 0.4 million per month per representative. Amendments to the law with effect from 1 July 2011 increased the 12 percent tax to 20 percent while the medical representative fee was doubled to HUF 0.8 million per month per representative. Additional measures introduced by amendment to the law include:

– implementation of a preferred reference pricing range of 5 percent above the reference price for active substance reimbursement groups and 10 percent in the case of therapeutic reimbursement groups, with any failure to keep the price within the preferred range resulting in a 15 percent reduction in the reimbursement amount;
– introduction of an international reference pricing system with a 20 percent ceiling above the average of the three cheapest prices which a given manufacturer applied for in any of the EU countries to retain reimbursement status. This measure has yet to be put into practice as at the publication date of this yearly report.

The same amendment to the drug economic act provided for a maximum (100 percent) extraordinary tax deduction for those companies whose R&D reached or exceeded 70 percent of the reimbursement amounts paid out effectively at retail level during 2010. Richter qualified for the maximum allowance. Extraordinary taxes reclaimed amounted to HUF 1.728 million, effectively deducted from 1 July 2011 to offset taxes due in respect of the second and third quarter 2011.

Parliament passed an Act on 21 December 2011 which provides for a 20-60-90 percent extraordinary tax deduction for those companies whose R&D reaches or exceeds 15-20-25 percent of the reimbursement based on manufacturer price level during 2011. An additional criterion for such allowance is a minimum level of personnel related expenditure established at 3 percent, for staff involved in R&D. Considering the above conditions Richter qualifies for the maximum available allowance (90 percent) in 2012.

Despite the unfavourable conditions in the pharma sector the Group's sales totalled HUF 34,029 million (EUR 121.5 million) in 2011, 5.3 percent (in EUR terms 3.7 percent) higher than in 2010 due to successful product launches.

A number of products showed significant sales increases during 2011, notably XETER, NORTIVAN and NORTIVAN HCT, NEBIBETA and PANANGIN. On the other hand, turnover of certain other products fell behind levels achieved in the base period, including a range of oral contraceptives, LISONORM and CALUMID.

Based on market audit (IMS) data for 2011 Richter is now the fourth player on the Hungarian pharmaceutical market with a 5.8 percent share. When considering only the market for retail prescription drugs, Richter qualified for second place with a market share of 7.3 percent.

2011 was a particularly successful year from the perspective of new launches as Richter introduced nine new products during the year on the Hungarian market.

New products launched in Hungary during 2011

Brand name	Active ingredient	Therapeutic area	Launch date
GLUCOSTABIL	gliclazide	Antidiabetic	Q1, 2011
GRAVIDA *	vitamins	Gynaecology, pregnancy care	Q1, 2011
NORTIVAN *	valsartan	Cardiovascular, antihypertensive	Q1, 2011
NORTIVAN HCT *	valsartan + hydrochlorothiazide	Cardiovascular, antihypertensive	Q1, 2011
PARNASSAN	olanzapine	Central nervous system, antipsychotic	Q2, 2011
SAVULIN *	levofloxacin	Antibiotic, bacterial infections	Q2, 2011
SILDEREC *	sildenafil	Urology, erectile dysfunction	Q2, 2011
EONIC *	montelucast	Respiratory, antiasthmatic	Q4, 2011
VIDOTIN KOMB	perindopril + indapamid	Cardiovascular, antihypertensive	Q4, 2011

* Note: licensed-in products.

TOP 10 products in Hungary

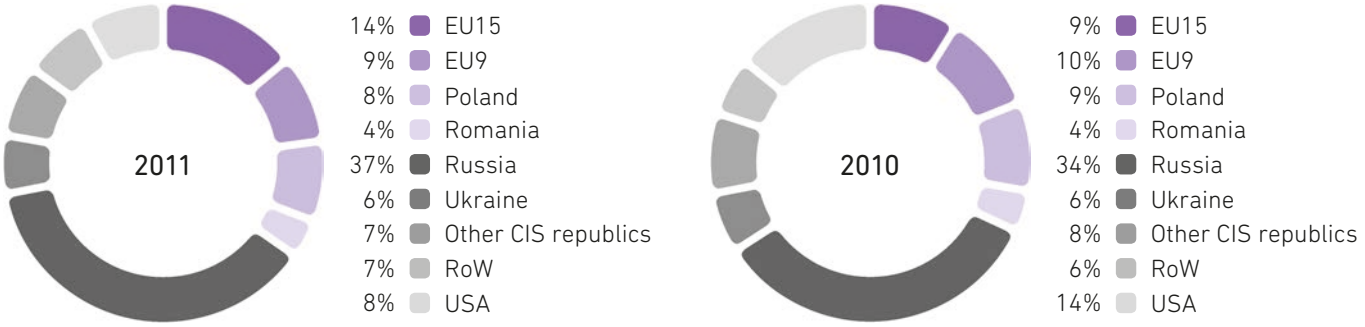
Brand name	Active ingredient	Therapeutic area	2011	2010	Change	
			HUFm	HUFm	HUFm	%
Oral contraceptives	hormones	Gynaecology	3,010	3,531	-521	-14.8
XETER	rosuvastatin	Cardiovascular, cholesterol-lowering	2,860	1,162	1,698	146.1
CAVINTON	vinpocetine	Central nervous system, nootropic	2,029	2,144	-115	-5.4
QUAMATEL	famotidine	Gastrointestinal, antiulcer	1,688	1,729	-41	-2.4
AVONEX *	interferon-beta-1a	Central nervous system, multiple sclerosis	1,368	1,383	-15	-1.1
MODUXIN	trimetazidine	Cardiovascular, cardiac therapy	1,178	1,158	20	1.7
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	1,127	1,411	-284	-20.1
PORTIRON HCT	losartan + hydrochlorothiazide	Cardiovascular, antihypertensive	1,009	957	52	5.4
NORMODIPINE	amlodipine	Cardiovascular, antihypertensive	889	1,049	-160	-15.3
MYDETON	tolperisone	Muscle relaxant	867	685	182	26.6
Subtotal			**16,025**	**15,209**	**816**	**5.4**
Other			18,004	17,121	883	5.2
Total			**34,029**	**32,330**	**1,699**	**5.3**

* Note: licensed-in products.

INTERNATIONAL SALES

International sales amounted to EUR 857.5 million in 2011, an increase of EUR 111.2 million or 14.9 percent over the previous year. Sales in the CIS totalled EUR 425.8 million, 17.2 percent higher when compared to 2010. In Russia a robust 24.0 percent sales growth was reported in Euro terms in 2011. A healthy 14.5 percent growth was reported in Ukraine in US$ terms (7.9 percent in Euro terms) while a 3.9 percent decrease in Euro terms was recorded in the Other CIS republics. The increase in turnover reported for the EU region (31.9 percent in Euro terms) was mostly driven by higher sales levels reported in the EU15 countries resulting from a good sales performance of the OC portfolio acquired from Grünenthal. Sales recorded in the USA declined by 27.9 percent in US$ terms due primarily to a significant revenue decline from our profit sharing agreements. Turnover reported in the Rest of the World region increased by a healthy 20.0 percent in EUR terms in 2011.

International sales analysis by region



Sales to TOP 10 international markets

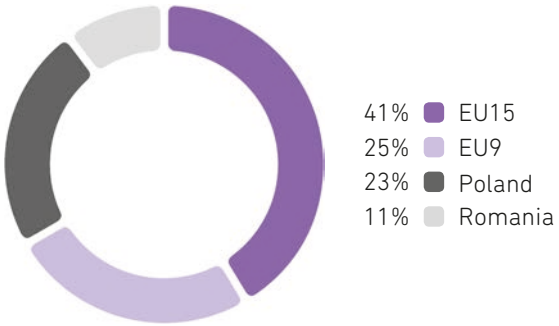
	2011	2010	Change	
	EURm	EURm	EURm	%
Russia	316.4	255.1	61.3	24.0
USA	72.5	106.5	-34.0	-31.9
Poland	70.1	66.3	3.8	5.7
Germany	61.5	28.8	32.7	113.5
Ukraine	50.5	46.8	3.7	7.9
Romania	31.1	29.5	1.6	5.4
Czech Republic	25.5	23.1	2.4	10.4
Slovakia	22.2	20.6	1.6	7.8
Kazakhstan	17.8	19.8	-2.0	-10.1
France	12.9	11.9	1.0	8.4
Subtotal	**680.5**	**608.4**	**72.1**	**11.9**
Total international sales	**857.5**	**746.3**	**111.2**	**14.9**
Share of the TOP 10 international markets	79.4%	81.5%		

EUROPEAN UNION

Sales in the European Union, excluding Hungary, amounted to EUR 302.7 million in 2011, representing a significant increase of EUR 73.2 million or 31.9 percent when compared to 2010. This is primarily due to the EUR 64.5 million (consolidated group figure, eliminating stockpiling effect EUR 52.5 million) sales originating from the acquired Grünenthal OC portfolio while in the Central and Eastern European markets 5-10 percent sales growth was recorded in the reported period.

Noteworthy sales growth was reported in the EU despite the fact that the Group continued to face strong competition and sustained pressure from governments which together resulted year on year in both lower prices and reimbursement levels. Governments in a number of EU member states including Poland, the Czech Republic, Slovakia and the Baltic States together with a few Southern European countries introduced various austerity measures in order to reduce their healthcare related budgets in 2011. This trend is expected to continue to prevail in 2012.

Sales to the EU in 2011



In the reported period sales of gynaecological products represented 43 percent of the turnover in this region.

In **Poland**, its largest market in the region, despite the unfavourable consequences of the global financial crisis 4.3 percent GDP growth was recorded combined with an inflation rate of 3.9 percent. The Group recorded pharmaceutical sales of PLN 289.6 million (EUR 70.1 million), an increase of 9.2 percent in PLN terms (5.7 percent in EUR terms) over the levels achieved in 2010. The seasonal antiviral product, GROPRINOSIN, together with ZARANTA, AVONEX, PROTEVASC, NORTIVAN and MYDOCALM recorded good growth when compared to the sales levels achieved in the base period.

A new drug economic act with effect from 1 January 2012 has been introduced in Poland, resulting in further tightening measures for the pharmaceutical companies.

In **Romania** GDP grew by 2.5 percent in 2011, while the inflation rate stood at 5.8 percent and the unemployment rate reached 7.5 percent. The overall pharmaceutical market continued to be unfavourable and impacted by the weak economic conditions and substantially delayed payments to pharmacists from the National Health Insurance House (CNAS).

Despite the unfavourable conditions in Romania sales amounted to RON 131.8 million, a 6.3 percent year on year increase compared with the performance in 2010. In EUR terms turnover amounted to EUR 31.1 million, 5.4 percent higher than in the previous year.

The turnover of a range of oral contraceptives, DUADOR, TESSYRON, CAVINTON and ROSTAT contributed the most to the sales growth achieved during 2011.

Richter's efficient promotional and commercial activities were primarily responsible for the recorded sales growth in 2011 in the Romanian market that has been characterised by excessive payment delays (up to 360 days or more) to pharmaceutical companies during the last couple of years.

From 1 October 2009 the Government approved a claw back regime in the range of 5-12 percent (aimed at financing the over-spending of the national pharmaceutical budget) to be paid to the CNAS by the manufacturers from sales of reimbursed drugs. On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force. The new measures will apply to suppliers of medicines that are partly or fully reimbursed and the overspending of the national pharmaceutical budget has to be paid by the manufacturers based on their market shares. Negotiations between the pharmaceutical companies and the Government on an amendment and revision to the new claw back system are currently ongoing.

In the **EU 9** region sales totalled EUR 76.4 million in 2011, 8.7 percent higher than in the last year. This area represented 25 percent of the total EU region sales of the Group's pharmaceutical segment.

In the **Czech Republic** the local currency remained relatively stable in 2011. GDP growth of 1.7 percent combined with an inflation rate of 2.1 percent contributed to a constraint on purchasing power. The Group's turnover in this country in 2011 amounted to EUR 25.5 million, representing growth of EUR 2.4 million over the sales levels achieved in the base period. The sales increase was mainly attributable to a range of oral contraceptives, MERTENIL and LUNALDIN. In **Slovakia** there was 3.3 percent growth in GDP while consumer prices rose with an inflation rate of 4.1 percent. Despite this and with the highest unemployment rate in the CEE region relatively stable political and economic conditions continued. Turnover amounted to EUR 22.2 million in 2011. The good performance of ZARANTA, OSSICA and LUNALDIN was primarily responsible for the EUR 1.6 million sales growth achieved. In the **Baltic States** sales amounted to EUR 16.3 million in 2011, 9.0 percent higher when compared to 2010. In **Bulgaria** sales totalled EUR 12.1 million in the reported period, representing growth of 6.5 percent when compared with turnover achieved in the previous year.

New drug economic acts were introduced in both the Czech Republic and Slovakia in December 2011. In the Baltic States governments also approved strict measures in order to reduce the national healthcare budgets.

In line with one of our primary objectives, notably to continuously renew and broaden our product portfolio, we are pleased to report the launch of several new products in Central and Eastern Europe during 2011.

New products launched in Central and Eastern Europe during 2011

Brand name	Active ingredient	Therapeutic area	Launch date
AMESOS / EKVATOR FORTE	lisinopril + amlodipine	Cardiovascular, antihypertensive	Q1, 2011
EXIGAN	valeriana extract	Central nervous system, relaxant	Q1, 2011
FOSCAN *	temoporfine	Oncology	Q1, 2011
PARNASSAN	olanzapine	Central nervous system, antipsychotic	Q2 , 2011
AMLATOR / DUPLECOR	atorvastatin + amlodipine	Cardiovascular, antihypertensive + cholesterol lowering	Q3, 2011
DAYLETTE	drospirenone + 20mcg EE	Gynaecology, oral contraceptive	Q3, 2011
LACTINETTE	desogestrel	Gynaecology, oral contraceptive	Q4, 2011
BIOFENAC *	aceclofenac	Non steroid antiinflammatory	Q4, 2011
OSSICA	ibandronate	Oncology	Q4, 2011

* Note: licensed-in products.

In the **'traditional' 15 EU Member States** sales amounted to EUR 125.1 million in 2011, 97.3 percent higher than in the previous year. This region contributed 41 percent of total EU pharmaceutical sales. When turnover of EUR 64.5 million (consolidated group figure eliminating stockpiling effect EUR 52.5 million) originating from sales of the product portfolio acquired from Grünenthal in late 2010 are excluded from the above figure, sales revenue from this region amounted to EUR 60.6 million, 1.8 percent higher than in the previous year.

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

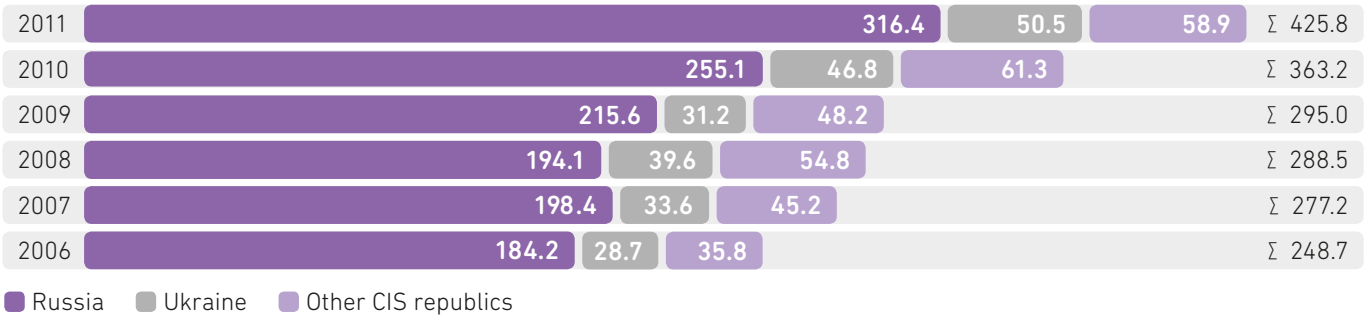
The two acquisitions made during the last quarter 2010 were aimed at the expansion of the female healthcare portfolio in our niche therapeutic area as well as to establish Richter's specialised sales force teams in these countries. The acquired Grünenthal portfolio provides a platform for Richter to establish its sales and marketing teams in key Western European countries including Germany, Italy and Spain, and in turn provide an excellent base for the development of Richter Groups's presence in these markets preparing for future sales of Esmya® in Western Europe. Further sales force personnel have been added in selected markets including Austria, Portugal and Switzerland by establishing new local companies.

In **Germany** Richter Group reported sales of EUR 61.5 million in 2011, 113.5 percent higher than in the previous year. Sales both to **Italy** and **Spain** amounted to EUR 11.9 million each. The level of sales growth experienced in the above mentioned markets was mainly attributable to Richter's successful promotional activity on the Grünenthal OC portfolio acquired in 2010. In **France** the Group's turnover amounted to EUR 12.9 million in the reported period.

CIS

Sales to the **CIS** in 2011 totalled EUR 425.8 million, a growth of 17.2 percent compared with sales levels achieved in 2010. Excellent performance was achieved in Russia and also in Ukraine in the reported period.

Sales to the CIS • EURm



Turnover of gynaecological products led by the range of oral contraceptives represented 21 percent of total CIS sales in 2011.

The relatively stable Rouble/Euro exchange rate and increasing crude oil revenues created a more predictable and stable economic environment in **Russia**. In 2011 Russia's gross domestic product grew by 4.2 percent, the world's third highest growth rate among leading economies. Russia's high economic growth was fuelled by high world oil prices and associated with strong industrial production, lower unemployment and buoyant consumer demand. Sales to Russia totalled EUR 316.4 million (RUB 13.0 billion) in 2011, 24.0 percent higher than in the base period mainly due to the good marketing and sales teamwork and the success of new product launches. With effect from 1 January 2011 Richter changed the invoicing currency from the Euro to the Rouble. Significant growth was realised primarily due to good performance achieved by PANANGIN, a range of oral contraceptives, SUPRAX, MYDOCALM and QUAMATEL.

We are pleased to note that in line with the Pharma 2020 strategy announced by the Russian Government which aims towards the manufacturing of most essential medicines in Russia by 2016 Richter has been able to initiate a multi-phase project which will further increase its Russian manufacturing and warehousing capacities.

Sales to **Ukraine** amounted to US$ 70.4 million (EUR 50.5 million) in 2011, a healthy 14.5 percent growth (7.9 percent in EUR terms) over a relatively high base level reported in 2010. Political stabilization in the country had a beneficial effect on the economic climate. Turnover of GROPRINOSIN, PANANGIN, MYDOCALM and AIRTAL contributed the most to the sales levels recorded.

Sales in **Other CIS republics** totalled US$ 82.0 million (EUR 58.9 million) in 2011, a 1.9 percent increase (3.9 percent decline in Euro terms) over the levels achieved in 2010. Lower sales in **Uzbekistan** and in **Kazakhstan** were offset by improving sales performance in **Azerbaijan** and **Kyrgyzstan**.

New products launched in the CIS republics during 2011

Brand name	Active ingredient	Therapeutic area	Launch date
NORTIVAN *	valsartan	Cardiovascular, antihypertensive	Q1, 2011
CO-DIROTON	lisinopril + hydrochlorothiazide	Cardiovascular, antihypertensive + diuretic	Q1, 2011
CO-SENTOR	losartan + hydrochlorothiazide	Cardiovascular, antihypertensive + diuretic	Q1, 2011
LACTINETTE	desogestrel	Gynaecology, oral contraceptive	Q1, 2011
LORDESTIN	desloratadine	Dermatology, antihistamine (antiallergic)	Q1, 2011
MIDIANA	drospirenone +30mcg EE	Gynaecology, oral contraceptive	Q1, 2011
PREDIZIN	trimetazidine	Cardiovascular, cardiac therapy	Q3, 2011
TESSYRON	clopidogrel	Haematology, antithrombotic	Q3, 2011
AMESOS / EKVATOR FORTE	lisinopril + amlodipine	Cardiovascular, antihypertensive	Q4, 2011
OSTALON CALCI D	alendronate + Ca, vitamine D	Gynaecology, osteoporosis	Q4, 2011
SUPRAX *	cefixime	Antibiotic	Q4, 2011

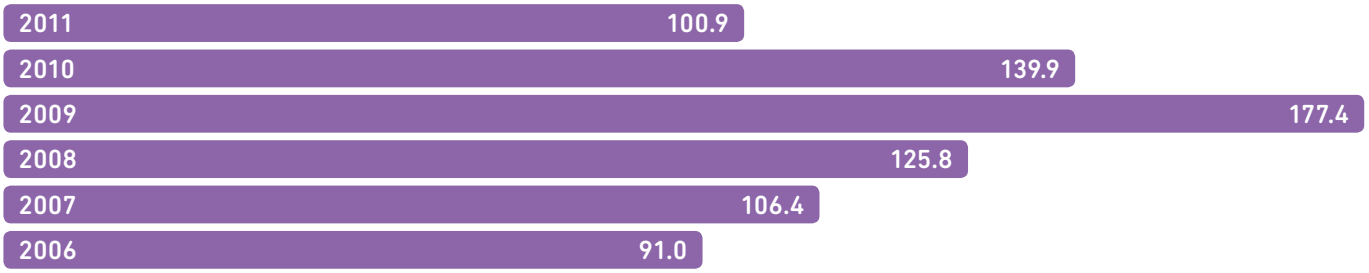
* Note: licensed-in products.

USA

Sales in the **USA** totalled US$ 100.9 million (EUR 72.5 million) in 2011, a decline of 27.9 percent in US$ terms (31.9 percent in EUR terms). As indicated in previous reports revenues in connection with drospirenone related profit sharing agreements declined further due to increased generic competition. Turnover of matured gynaecological products showed a decline year on year. Good growth in sales of the finished form emergency contraceptive PLAN B ONE-STEP was recorded during the reported period.

Sales of gynaecological products, including the profit sharing related to drospirenone, represented 96 percent of US sales.

Sales to the USA • US$m



REST OF THE WORLD

Sales in these countries amounted to EUR 56.5 million (US$ 78.8 million) in 2011, an increase of 20.0 percent (27.3 percent in US$ terms) when compared to 2010.

Notable sales levels in 2011 were achieved in **Switzerland** (EUR 9.6 million), in **Vietnam** (EUR 7.7 million) and in **Serbia** (EUR 4.5 million). Sales levels reached EUR 4.8 million in **China** and EUR 2.9 million in **Japan**.

WHOLESALE AND RETAIL ACTIVITIES

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

Pharmafarm is the only wholesaler belonging to Richter Group following the merger of Dita Import Export and Pharmafarm in 2010. Gedeon Richter Farmacia is our major retail operation comprising 117 pharmacy units which support the promotion and sale of Richter products.

Wholesale and retail sales

	2011	2010	Change	2011	2010	Change
	HUFm	HUFm	%	EURm	EURm	%
Hungary	553	278	98.9	2.0	1.0	100.0
Romania	30,760	33,050	-6.9	109.9	119.8	-8.3
CIS	6,359	3,415	86.2	22.7	12.4	83.1
Total	**37,672**	**36,743**	**2.5**	**134.6**	**133.2**	**1.1**

Approximately 82 percent of 2011 turnover in the wholesale and retail segment was realised by our Romanian subsidiaries (RON 466.1 million), with the remaining part primarily invoiced by our subsidiaries in the CIS region. The decline in turnover in Romania was 7.5 percent in RON terms (8.3 percent in EUR terms) in 2011, primarily due to shipments to the wholesaler company of the Group withheld as a result of the deteriorating payment pattern of the pharmacies themselves impacted by delayed payments from the National Health Insurance House.

Deteriorating payment conditions characterized the Hungarian retail and wholesale landscape during 2011 and consequently impairment losses were incurred, in a stake proportional amount, at Hungaropharma, an associated wholesaler company of the Richter Group and in addition at Pharmafarm, our Romanian wholesaler subsidiary.

RESEARCH AND DEVELOPMENT

Innovation and the research of original drug molecules have been key elements in the Company's strategy since its foundation in 1901. With approximately 1,000 employees in the field of research and development, Gedeon Richter today is the most significant pharmaceutical research base in the Central and Eastern European region. Pharmaceutical R&D covers three strategic areas, notably research and development of new chemical entities (NCEs), recombinant biotechnological activities and the development of generic products.

Hungary based proprietary research activities traditionally focused exclusively on compounds for diseases of the central nervous system (CNS), primarily on schizophrenia, depression and chronic pain. The Company has a portfolio of 20 ongoing projects, of which one is in clinical Phase III trials, one in Phase II trials and also one in clinical Phase I. The remainder are in the preclinical phase of development.

At the end of 2011 the clinical portfolio consisted of the following:

Name of compound	Clinical phase		Primary indications	Partner
Cariprazine (RGH-188)	Phase III [1]	United States	Schizophrenia	Forest Laboratories
	Phase III [2]		Bipolar mania	
	Phase IIb		Bipolar depression	
	Phase IIb		Major depression	
	Phase II	Japan	Schizophrenia	Mitsubishi-Tanabe
ESMYA®	Under registration [3]	EU	Uterine myoma	-
	Phase III [4]	United States	Uterine myoma	Watson Laboratories

Notes: [1] Completed by the time of release of this Annual Report.
[2] Completed during 2011/2012.
[3] Completed by the time of release of this Annual Report.
[4] Initiated by the time of release of this Annual Report.

In February 2011 we published preliminary top-line results from a Phase II clinical trial of cariprazine as adjunctive therapy in Major Depressive Disorder. Although the overall difference observed between the drug-treated and placebo-treated groups was not statistically significant, over the course of the trial there was evidence of a clinically relevant treatment effect in the high-dose arm of the study by comparison to placebo. Therefore Richter and Forest decided to conduct additional Phase II dose-response trials examining a wider range of doses in this indication.

We announced positive top line data from two Phase III clinical trials of cariprazine in patients with acute mania associated with bipolar I disorder in October 2011 and also in February 2012. In addition to the successful Phase III trial results released in 2008, this brings the total to three positive Phase III trials.

In February 2012 we also published positive top-line results in two Phase III clinical trials of cariprazine for the treatment of acute exacerbation of schizophrenia. The results of these two studies were consistent with the results of the previously completed placebo-controlled Phase IIb fixed-dose study in this population. By successfully meeting the primary endpoint in each of these studies, we now have three positive schizophrenia trials and three positive bipolar mania trials.

The acquisition of PregLem a Swiss based specialty pharmaceutical company, in late 2010 allowed us to become engaged in the development of a new class of drugs for the treatment of benign gynaecological conditions, such as uterine fibroids (myoma) and endometriosis. This strategic move further increases Richter's exposure to specialty pharma, based on its existing widely acknowledged steroid chemistry expertise, and complements Richter's existing Women's Healthcare franchise.

Following the European MAA filing for ESMYA® in December 2010, we received positive EMA/CHMP opinion for ESMYA® for the pre-operative treatment of myomas. According to the well established protocol in February 2012 the European Commission (EC) has granted marketing authorization to ESMYA® 5mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids.

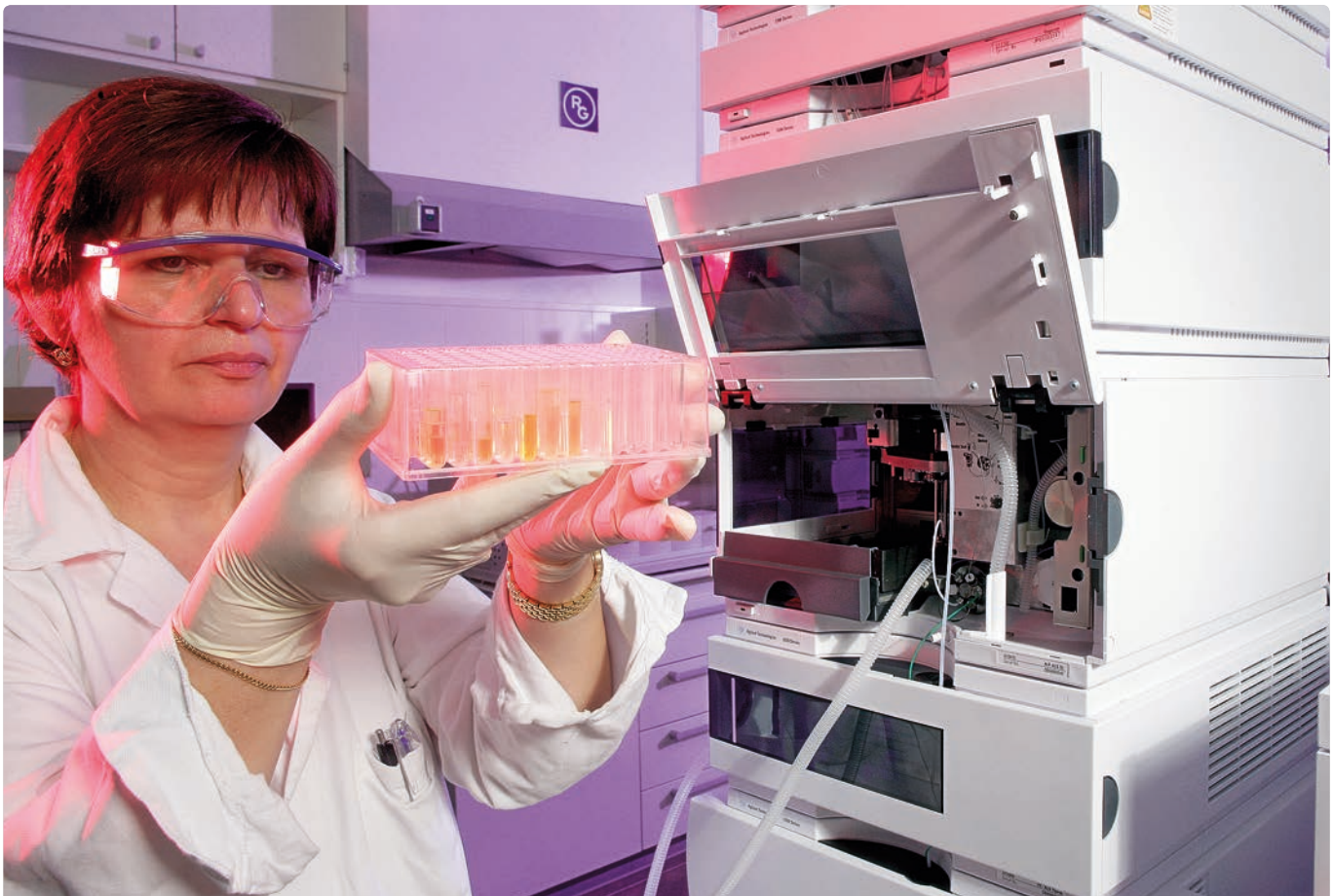
Based on our long term almost 50 years experience in the area of classical fermentation, combined with molecular biological knowledge, a strategic decision was made by management in 2006 to start recombinant biotechnological activities at the Company. The Hamburg based Richter-Helm Biologics, established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

The Company considers it essential to establish partnerships to facilitate the development and marketing of new molecules. We join forces with academic and university institutions in the early phase of our research activities, while we make efforts to establish cooperation with other pharmaceutical companies when it comes to the development of molecules in clinical phases. In this regard partnerships with the US-based Forest Laboratories and with the Japanese company Mitsubishi-Tanabe Pharmaceuticals have contributed substantially to the Company's research activity. In particular Richter's experience in preclinical trials is complementary with Forest's experience in clinical trials. In addition to the comprehensive and long term license and collaboration agreement signed in late 2010 with Mochida Pharmaceutical Co. Ltd. in respect of the development and marketing of Richter's biosimilar product portfolio in August 2011 we have announced two separate license and collaboration agreements in respect of the development and marketing of two biosimilar products, two monoclonal antibodies, with STADA Arzneimittel AG.

Generic development work in several therapeutic areas continued in 2011 at the Parent company and at its two subsidiaries in Poland and Romania, all of which is coordinated by the Director of Development. The Group's target is to launch at least 5-7 new generic and branded generic products per year on its traditional markets, i.e. Hungary, CEE and CIS. Licensing-in activity increasingly contributes to the continuous development of the Group's product portfolio. Process development activities and bioequivalence studies on several active pharmaceutical ingredients and finished products continued during the year.

Several products developed in-house were introduced during 2011, namely the montelucast containing antiasthmatic product in Hungary, in certain EU15 countries, in some of the EU9 countries and in Poland under different brand names, while the perindopril and indapamide containing combination product VIDOTIN KOMB was also introduced in Hungary. Additionally, the atorvastatin and amlodipine containing combination product was launched in Romania and certain EU9 countries under different brand names during the year.

The Group reported in 2011 a 5.9 percent increase in its spending on research and development which totalled HUF 28,713 million (EUR 102.5 million), representing 9.3 percent of consolidated sales.



FEMALE HEALTHCARE

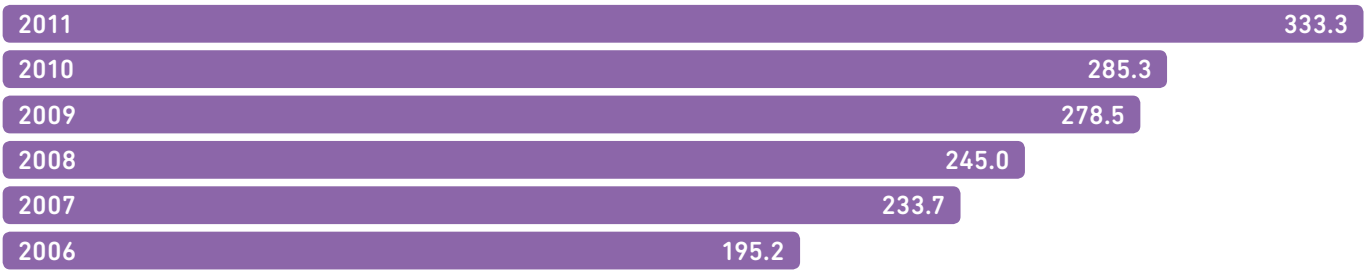
One of Richter's most important niche areas is its gynaecological business. The Company has unique and long-term experience in this field dating back to when its founder, Mr. Gedeon Richter, a pharmacist started to research steroids. This was at a time when they had complete novelty. Since then the Company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

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

In accordance with this strategy two acquisitions were concluded during 2010, both of which further strengthened the female healthcare portfolio. The acquisition of PregLem, created a platform for Richter to develop a new class of drugs for the treatment of benign gynaecological conditions. The purchase of Grünenthal's well established oral contraceptive franchise boosted our gynaecological sales as well as expanded our female healthcare product portfolio.

This therapeutic area represented 34 percent of the Group's pharmaceutical turnover in 2011. This product group contributed substantially to the Group's turnover on each of its international markets. Gynaecological products represented 21 percent of total CIS sales, 43 percent of turnover in the EU region and 96 percent of total US sales during 2011.

Sales of gynaecological products • EURm



FEMALE CONTRACEPTION

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

Usage of oral contraceptives within fertility age women continues to gradually increase in Central Eastern European and CIS regions, currently 4 percent in Russia, 9 percent in Romania, 14 percent in Poland, 15 percent in Slovakia, 19 percent in Hungary and 35 percent in the Czech Republic. These levels remain relatively low compared with 33 percent in Germany, 40 percent in France and 45 percent in the Netherlands and provide room for further growth in this therapeutic area by our Company. Being one of the largest pharmaceutical players in the regions of CEE and CIS, management expects these markets to be one of the major potential drivers of growth in the coming years.

In accordance with our main strategic objectives the Company continued to launch new contraceptive products on its markets during 2011. MIDIANA, a fourth generation drospirenone containing oral contraceptive was launched in Russia, while DAYLETTE another drospirenone containing OC was introduced to the market in Poland and in Ukraine.

The range of contraceptive products was one of the key drivers of growth in most of the CIS countries, in EU9 and in EU15 regions. Richter's main strategic partner for API sales is the US based Teva-Barr. The Company supplies steroid APIs for nine of Teva-Barr's range of oral contraceptive products. Richter supplies also the emergency contraceptive PLAN B and PLAN B ONE-STEP in finished form to Teva-Barr. Richter also receives profit sharing in respect of drospirenone containing products, the revenue of which declined in 2011 partly due to increased generic competition. Turnover of matured gynaecological products also declined during the reported period.

The oral contraceptive product line consisting of six brands divested by Grünenthal and acquired by Richter in late 2010 showed an excellent performance in the EU15 countries. The leading product of this portfolio is BELARA, an original oral contraceptive developed by Grünenthal which recently lost patent protection. In order to succesfully market the acquired brands we established local sales networks in the key EU15 countries (Germany, Italy and Spain).

PRODUCTS FOR MENOPAUSE (HORMONE REPLACEMENT THERAPY, OSTEOPOROSIS MEDICATIONS)

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

We offer a wide range of orally and transdermally applicable HRT and Osteoporosis products and continuously make efforts to expand our product portfolio. In line with this aim the alendronate containing gynaecological combination product OSTALON CALCI D was launched in Ukraine in 2011.

OTHER GYNAECOLOGICAL PRODUCTS

The acquisition of PregLem has provided an opportunity for Richter to broaden and complete its female healthcare portfolio, as PregLem's activities focus on developing therapies for gynaecological conditions with significant unmet medical needs, such as uterine fibroids (myoma), endometriosis, infertility and post surgical abdominal adhesions. Uterine fibroids (myomas) are the most common benign, solid tumors of the female genital tract, affecting between 20 and 25 percent of women of reproductive age. The condition is characterized by excessive uterine bleeding, anemia, pain, frequent urination or incontinence, and occasional interruption of fertility. PregLem's most advanced product, ESMYA® (ulipristal acetate), completed Phase III clinical trials in June 2010 for the treatment of uterine myoma. A European MAA filing for ESMYA® was made in December 2010. Following the receipt of positive EMA/CHMP opinion for ESMYA® for the pre-operative treatment of myomas, the European Commission (EC) has granted marketing authorization to ESMYA® 5mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids in February 2012. The USA company, Watson signed an agreement in December 2010 for the clinical development, and subsequent to regulatory approval, the launch of ESMYA® in North America.

In December 2011 Gedeon Richter Plc. and HRA Pharma entered into a licensing agreement, under the terms of which Richter received the exclusive distribution and marketing rights for ESMYA® in Russia, in other CIS republics, and in China, thereby extending its geographical scope beyond the European Union and in North America.

Richter's overall target is to offer a complete range of female healthcare products and in accordance with this objective we also provide treatment for gynaecological infections. The antifungal GYNAZOLE-1® and GYNOFORT licensed in from KV Pharmaceuticals with an innovative drug delivery system are available on most of our CEE and CIS markets.

Main gynaecological products of Richter Group

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

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

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

PRODUCTS

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

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

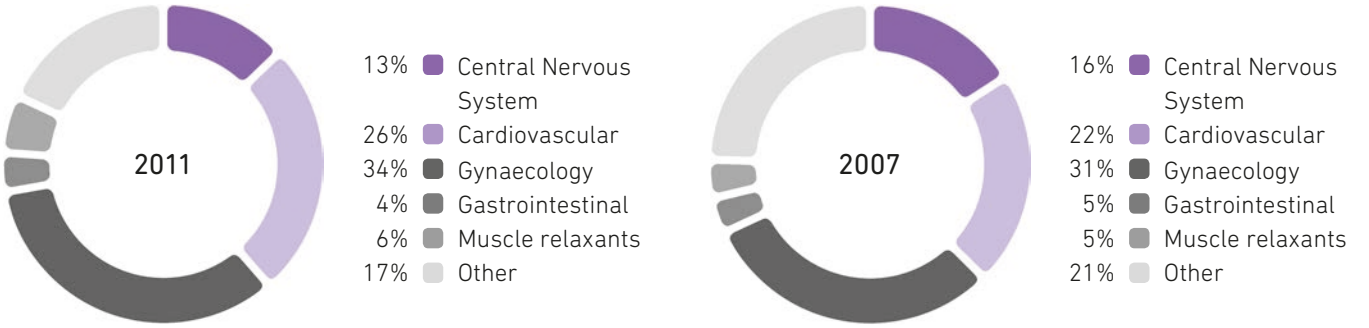
Gedeon Richter is a regional mid-sized pharma company with a vertically integrated structure. This is based on a good market position with geographic and therapeutic niches supported by continuous enhancement through the supply of specialties partly via licensing agreements. Licensing-in is becoming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

Main licencing-in partners of Richter

Company	Country	Product	Therapeutic area
Astellas	Japan	SUPRAX	Antibiotic
Biogen Idec	USA	AVONEX, TYSABRI	Central nervous system, sclerosis multiplex
Almirall Prodesfarma	Spain	AFLAMIN	Non-steroid antiinflammatory
Janssen	Belgium	Several products	Central nervous system, Antifungal, Antibacterial
KV Pharmaceutical	USA	GYNAZOL-1	Gynaecologycal infections
Helm	Germany	FENTANYL patch, ANASTRAZOL, LETROZOL	Oncology, opioid analgesic
ProStrakan	United Kingdom	LUNALDIN	Oncology, opioid analgesic
Actavis	Switzerland	Several products	Gastrointestinal, Urology
Merck KGaA	Germany	FEMSEVEN, FEMSEVEN COMBI	Gynaecology, hormone replacement therapy (patch)
Takeda	Japan	LANSONE	Gastrointestinal, antiulcer
Sanofi-Aventis	France	TARIVID	Antibiotic
HRA Pharma	France	ELLAONE	Gynaecology, emergency contraceptive

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 2011 originate from the three largest therapeutic categories. Gynaecological, cardiovascular and central nervous system products together generated 73 percent of total pharmaceutical sales.

Products by therapeutic groups



Central nervous system related drugs contributed altogether 13 percent to total pharmaceutical sales. The leading CNS product was our original product, CAVINTON (vinpocetine), a nootropic. The turnover of CAVINTON was 4 percent higher in 2011 compared to 2010. The sales performance achieved in Russia, in Poland and in Hungary contributed the most to the turnover recorded. Good sales growth was also achieved by the multiple sclerosis drug AVONEX (interferon-beta-1a), primarily due to sales increases achieved in Poland and in the Baltic States. The paroxetine containing antidepressant REXETIN contributed substantially to the sales levels reported in this therapeutic group.

Cardiovascular drugs showed an above average sales growth in 2011, accounting for 26 percent of total pharmaceutical sales. The cardiac therapy PANANGIN (asparaginates) became the leading product in this therapeutic area and a significant increase in sales was reported most of it in Russia. Antihypertension products including VEROSPIRON (spironolactone) and LISONORM (lisinopril + amlodipine) were also among the key drivers of the growth. LISOPRESS (lisinopril) also contributed to the sales levels achieved during 2011. The rosuvastatin containing cholesterol lowering XETER, which was launched in Hungary, in Russia and in certain CEE markets under different brand names, contributed significantly to the reported sales levels. Turnover of NORMODIPINE (amlodipine) continued to shrink in Hungary and in most of the CEE region while it increased on the other international markets of the Group in total.

Muscle relaxant drugs amounted to 6 percent of total pharmaceutical revenue of the Group in 2011. The most significant sales were achieved by the original product MYDETON / MYDOCALM (tolperisone), primarily in Russia.

Gastrointestinal products represented 4 percent of total pharmaceutical sales led by the H_2-blocker QUAMATEL (famotidine) in 2011.

Sales of TERBISIL (terbinafine) and MYCOSYST (fluconazole) contributed significantly to the turnover coming from **antifungals**.

TOP 10 products

Brand name	Active ingredient	Therapeutic area	2011	2010	Change	
			HUFm	HUFm	HUFm	%
Oral contraceptives	hormones	Gynaecology	84,602	70,144	14,458	20.6
CAVINTON	vinpocetine	Central nervous system	19,526	18,441	1,085	5.9
PANANGIN	asparaginates	Cardiovascular, cardiac therapy	16,459	11,116	5,343	48.1
LISOPRESS	lisinopril	Cardiovascular, antihypertensive	15,854	16,543	-689	-4.2
MYDETON / MYDOCALM	tolperisone	Muscle relaxant	14,824	12,822	2,002	15.6
VEROSPIRON	spironolactone	Cardiovascular, antihypertensive	9,984	9,281	703	7.6
QUAMATEL	famotidine	Gastrointestinal, antiulcer	8,193	7,322	871	11.9
LISONORM	lisinopril + amlodipine	Cardiovascular, antihypertensive	5,880	4,735	1,145	24.2
XETER / MERTENIL / ZARANTA /ROSTAT	rosuvastatin	Cardiovascular, cholesterol lowering	5,281	1,722	3,559	206.7
NORMODIPINE	amlodipine	Cardiovascular, antihypertensive	5,164	5,337	-173	-3.2
Subtotal			**185,767**	**157,463**	**28,304**	**18.0**
Other			88,372	80,686	7,686	9.5
Total			**274,139**	**238,149**	**35,990**	**15.1**

In line with the Group's strategy the product portfolio has been successfully enhanced. This focus continues through withdrawing low volume and low margin products and introducing new products with improved profit potential. Progress by the Group in launching new products continued in 2011. Several new generic products were launched on our markets.

New Product Launches

Brand name	Active ingredients	Therapeutic area	HU	PO	RO	RUS	UKR	RoCIS	EU9
Own developed compounds									
AMESOS / EKVATOR FORTE	lisinopril + amlodipine	Cardiovascular, antihypertensive						11Q4	11Q1
AMLATOR / DUPLECOR	atorvastatin + amlodipine	Cardiovascular, antihypertensive + cholesterol lowering			11Q3				11Q4
CO-DIROTON	lisinopril + hydro-chlorothiazide	Cardiovascular, antihypertensive + diuretic						11Q1	
CO-SENTOR	losartan + hydro-chlorothiazide	Cardiovascular, antihypertensive + diuretic						11Q1	
PREDIZIN	trimetazidine	Cardiovascular, cardiac therapy					11Q3	11Q4	
VIDOTIN KOMB	perindopril + indapamid	Cardiovascular, antihypertensive	11Q4						
DAYLETTE	drospirenone + 20mcg EE	Gynaecology, oral contraceptive		11Q4					11Q3
MIDIANA	drospirenone + 30mcg EE	Gynaecology, oral contraceptive				11Q1	11Q3		
LACTINETTE	desogestrel	Gynaecology, oral contraceptive						11Q1	11Q4
OSTALON CALCI D	alendronate + Ca, vitamine D	Gynaecology, osteoporosis					11Q4	11Q4	
EONIC	montelucast	Respiratory, antiasthmatic	11Q4						
EXIGAN	valeriana extract	Central nervous system, relaxant			11Q1				
PARNASSAN	olanzapine	Central nervous system, antipsychotic	11Q2						11Q2
GLUCOSTABIL	gliclazide	Antidiabetic	11Q1						
LORDESTIN	desloratadine	Dermatology, antihistamine (antiallergic)				11Q1			
OSSICA	ibandronate	Oncology		11Q4					
TESSYRON	clopidogrel	Haematology, antithrombotic					11Q3		
Licensed-in products									
NORTIVAN	valsartan	Cardiovascular, antihypertensive	11Q1			11Q1		11Q4	
NORTIVAN HCT	valsartan + hydro-chlorothiazide	Cardiovascular, antihypertensive	11Q1						
GRAVIDA	vitamins	Gynaecology, pregnancy care	11Q1						
SAVULIN	levofloxacin	Antibiotic, bacterial infections	11Q2						
SUPRAX	cefixime	Antibiotic						11Q4	
BIOFENAC	aceclofenac	Non steroid antiinflammatory		11Q4					
FOSCAN	temoporfin	Oncology							11Q1
SILDEREC	sildenafil	Urology, erectile dysfunction	11Q2						

MANUFACTURING AND SUPPLY

Richter has always paid special attention to being in a position to offer reliable and modern products at affordable prices.

Despite the negative impact of the economic turmoil we have continued in 2011 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. Our supply chains are structured so as to be flexible and responsive to the changing needs of our local markets. During the year we maintained our focus on driving continuous improvement in our supply systems as a part of a wide ranging cost and efficiency programme. It is pleasing to report that this programme delivered real benefits, notably faster turnover of finished good stocks in the warehouses, which have been achieved without compromising our normal high levels of customer service and quality.

Volumes of finished products moderately increased in 2011 when compared to the levels reported in 2010, outperforming substantially the overall pharmaceutical sales growth reported by the Group reflecting price pressure prevailing in most of our CEE and CIS regions.

At all of our manufacturing units in the CIS and CEE region manufacturing of new products commenced during 2011.

Overall volumes of API manufacturing remained approximately flat in 2011 when compared to the levels recorded in 2010 with higher production of certain steroids being offset by lower volumes of generic APIs.

The technology transfer of the Grünenthal OC portfolio according to the terms of the acquisition agreement was ongoing in 2011.

Unlike previous years recently no major investment programmes were initiated during 2011. The ongoing project supporting the biosimilar product development continued in Debrecen and in order to meet the highest quality standards modernization of equipment and technologies, both in the API manufacturing and in finished dosage form production, continued. Modernization of the injectable plant was initiated during 2011, while new tabletting machine was put into operation at the hormone plants in Budapest, as well as at two of our subsidiaries.

Throughout the year, several audits were conducted both on a regulatory and business partnership level, encompassing not only our facilities but also the production processes of finished form products and APIs. We are pleased to report that all audits resulted in positive and satisfactory feedback. As is normal practice, the US FDA conducted a routine inspection in July 2011. The Company was found to be operating according to the required standards.

CORPORATE SOCIAL RESPONSIBILITY

Aware of the Company's responsibility to society in general Richter's management pays high attention towards Corporate Social Responsibility (CSR). The Company embraces responsibility for its actions, minimises and prevents negative impact and enhances positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public while exploring opportunities for developing innovative products, services and business models that contribute to social wellbeing and lead to higher quality and more productive employment.

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

ENVIRONMENTAL POLICY

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

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

Environmental Management System at the Company meets all requirements of ISO 14001:2004 standards. The most recent re-certification audit, which is valid for three years, was successfully completed in 2010. The accredited status of the Environmental Laboratory was also renewed by the relevant authority.

The Action Plan submitted by Richter on the soil and groundwater decontamination was approved during the reported year by the Authority in Dorog. The related works will be carried out in 2012 and 2013.

The action plan to reduce noise emissions by premises in Budapest was successfully accomplished in 2011; all measurement results are below the legally defined threshold and below the threshold that would cause disturbance to the local environment. Following legislative changes in Dorog new noise limits were introduced. The Company has prepared a required noise reduction program and the necessary investment will be carried out following its approval.

In 2011 rainwater storage cisterns were built in Dorog. Additionally, as part of a reconstruction project the capacity of membrane filtration at the Dorog waste water treatment plant was increased while the drain network was rebuilt.

HEALTH AND SAFETY AT WORK

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

WORK HEALTH AND SAFETY MANAGEMENT SYSTEM

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

Our Health and Safety Management System (HSMS) in compliance with OHSAS 18001:1999 standard, was officially certified at the beginning of 2006, making Gedeon Richter the first Hungarian pharmaceutical company to obtain this type of assurance. As a result of the latest audit with the more stringent criteria of OHSAS 18001:2007 the Company was successfully re-certified in 2009 for a further three years. The system is structured similarly to the related quality assurance (GMP) and environmental (ISO 14001) systems, but operates independently of them.

The accreditation of the Safety Laboratory in Budapest was renewed by the authorities, in addition, the accreditation documentation of the similar Laboratory in Dorog was submitted for approval.

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

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

PRACTICAL IMPLEMENTATION

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

Special precautions are taken in the case of tasks that involve the use of potentially hazardous materials. We make every effort to minimise the exposure of our employees to risks, and accordingly we are doing all we can to replace dangerous materials with less hazardous equivalents. We are committed to ensuring the safety of our employees through the use of closed technology wherever possible. If this is not feasible, then we implement the appropriate special protective measures. To ensure the early detection of any signs of possible damage to health, our employees undergo regular medical checkups, and, as a preventive action, occupational risks are revealed through the on-site measurements carried out by the Safety Laboratory. We apply a multi-tiered risk management process, with the most important prevention and action plans managed at project level, within a framework of a system of targets and programs. We also met during 2011 the requirements established by the European Union legislation (REACH and CLP) related to the registration and labeling of chemicals used in production processes.

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

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

For the purposes of disaster prevention the manufacturing facilities in Budapest and Dorog are rated as 'Lower Tier' under the Seveso II Directive on the control of major accident hazard regulations, while the site in Vecsés does not fall within the scope of the Directive.

No fatal accidents or other serious work related injuries occurred at any of our facilities during 2011.

COMMUNITY INVOLVEMENT

The management of Gedeon Richter have always been aware of the importance of community involvement. We recognize that as a leading pharmaceutical manufacturer and employer in Hungary it is our responsibility to maintain dialogue with society at large and with those who have an interest in the Company's activities. In this respect Gedeon Richter supports projects in the areas of healthcare, science, education and environmental protection in line with its mission for 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 range of science-based school programmes, including chemistry education in secondary schools and university programmes both in Hungary and abroad. Special agreements were concluded with universities of natural sciences in order to support specific education and research activities.

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

On the occasion of its centenary in 2001 the Company created a foundation which has as its aim the support of scientific research and university education in the field of pharmaceutical research not only in Hungary but also for Hungarian talent living abroad.

Various scientific and business events of a high standard were organised in Hungary and on a Group level in 2011 on the occasion of the Company's 110th anniversary.

PEOPLE

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

We work to achieve this by:

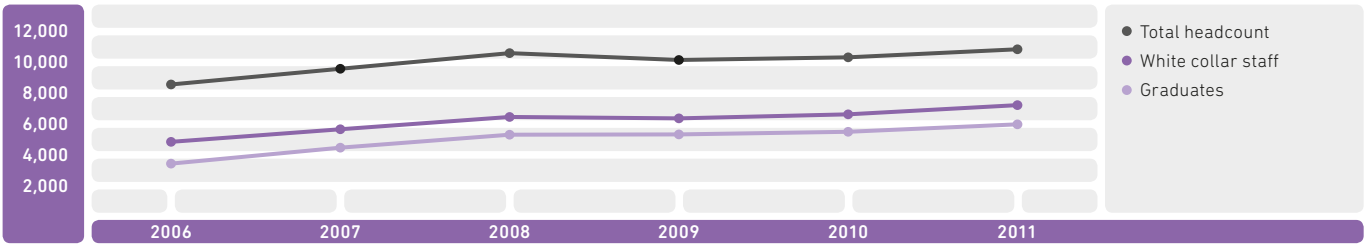
– developing our people at all levels to realise their full potential
– offering an inclusive culture that draws on the diverse skills, background and knowledge of every employee
– identifying our internal and external talent – those who have the right skillets for current and future business requirements.

Together our activities improve our ability to solve problems, discover innovative solutions and enhance effectiveness and performance of our teams and leaders. Inclusion supports engagement, which in turn fosters productivity and creativity. Our experience and numerous studies show that employee engagement is a key driver of employee wellbeing, as well as better individual and business performance. For these reasons we constantly seek new opportunities to engage our employees and drive innovation.

With more than 10,000 employees, we value the diverse skills and capabilities that a workforce with different cultural backgrounds brings to our business. We work continuously to align these skills and capabilities with strategic and operational needs.

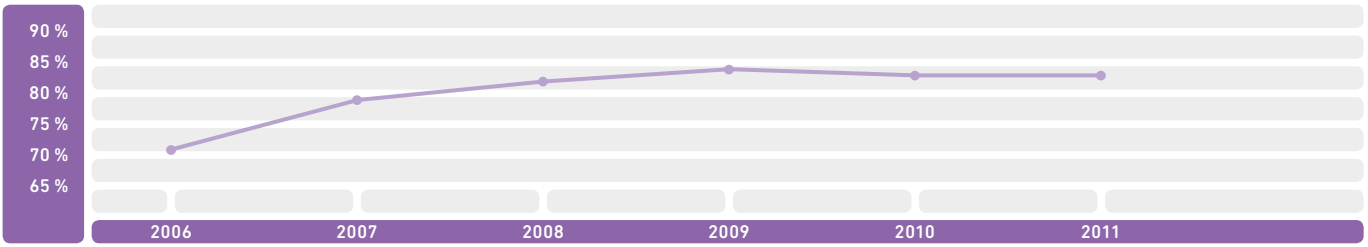
EMPLOYEES

Number of staff



The total headcount for the Group was 10,773 at the end of 2011, a 5 percent (514) increase when compared with 2010. The growth was primarily due to the expansion of sales force teams in the CIS and in Western Europe and the expanding biosimilar business in Debrecen.

Proportion of graduates *



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

The proportion of skilled employees at the Group increased to 5,981 at the end of 2011, from 5,505 reported in 2010. The graduate educated personnel represented 83 percent of white collar staff and 56 percent of the total number of employees at the Group.

The total headcount for the Parent Company was 6,515 at the end of 2011, an increase of 227 during the year. In Hungary Gedeon Richter's headcount totalled 4,791, an increase of 52 when compared with 2010.

The proportion of skilled employees at the Parent Company in 2011 increased compared to that in 2010. Richter employed 3,499 graduate educated personnel at the end of 2011 and these represented 83 percent of white collar staff and 54 percent of the total number of employees in the Company.

RECRUITMENT AND INDIVIDUAL DEVELOPMENT

Recruiting, retaining and developing our employees were also critical activities in 2011, in order to enhance and sustain our performance. Proactive talent acquisition initiatives underpin our ability to attract specialist and leadership talent externally.

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

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

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

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

We encourage and support all our people in fully developing their capabilities with a range of high quality learning and development opportunities. We offer training programmes, e-learning courses, 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 2011 to support employees to participate in university education, including PhD courses.

To support innovation and knowledge sharing within our Group in 2011 we organised again the competition called RITA (Richter Innovation and Knowledge Base Archive) which encourages and remunerate innovative ideas. RITA has clearly demonstrated how efficiently innovation and teamwork can encourage and motivate people at our Company.

DEVELOPING LEADERS

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

Currently we have three leadership programs running and one in pilot phase:

Well established management training programmes involving all managers of the Company both at middle and senior levels were ongoing in 2011. Based on the results of the Leadership Competence Assessment programme, all managers designed their personal coaching programme and identified the key areas for further improvement.

For those managers appointed within the last three years a special manager training programme was implemented so as to identify and develop management skills and self-knowledge.

Our career development program, started in 2006, which focuses on further development of high potential management talent continued in 2011. A comprehensive competence assessment was provided for those colleagues who participated in this programme as a potential option to develop their self-knowledge. It is pleasing to report that approximately 20 percent of the participants were promoted to new management positions during the development programme. New candidates have been admitted to this programme in each year since its inception.

In 2011 we enhanced a system which presents professional development opportunities within the Company offering future career opportunities for new entrants and existing employees alike. As a pilot project we are planning to introduce this system for graduate educated personnel in four departments in 2012. Based on the experience gained we expect to expand the system across the whole Company during the following year.

REMUNERATION AND OTHER EMPLOYEE PROGRAMMES

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

We focus on the health factors that enable employees to perform at the highest level by sustaining energy and engagement. A two-year employee health programme wholly financed by the Company completed successfully in 2011. All employees could participate in this wide-ranging medical programme which aimed to minimise illness by early diagnosis.

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

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

Richter celebrated the 110th anniversary of its founding in 2011. On this occasion we conducted a survey on the Company's corporate and organizational culture within the framework of a project called RGH-110. In 2012 we expect to evaluate the results of this project and determine the necessary steps we need to take to maintain and enhance business performance.


IKAMAG® REC-G

FINANCIAL REVIEW

2011

KEY FINANCIAL DATA

	2011	2010	Change	2011	2010	Change
	HUFm	HUFm	%	EURm	EURm	%
Total revenues	307,868	275,312	11.8	1,099.5	998.2	10.1
Gross profit	193,339	168,175	15.0	690.5	609.8	13.2
Gross margin %	**62.8**	**61.1**		**62.8**	**61.1**	
Profit from operations	60,927	62,653	-2.8	217.6	227.2	-4.2
Operating margin %	**19.8**	**22.8**		**19.8**	**22.8**	
Profit before income tax	49,671	67,776	-26.7	177.4	245.8	-27.8
Profit for the year	49,552	64,640	-23.3	177.0	234.4	-24.5
Net margin %	**16.1**	**23.5**		**16.1**	**23.5**	
EPS (HUF, EUR) [1]	2,649	3,460	-23.4	9.46	12.54	-24.6
Total assets and total equity and liabilities	688,285	603,277	14.1	2,212.4	2,172.4	1.8
Capital and reserves [2]	489,968	442,115	10.8	1,575.0	1,592.0	-1.1
Capital expenditure	32,285	88,704	-63.6	115.3	321.6	-64.1
Number of employees at year-end	10,773	10,259	5.0			

Notes: [1] EPS calculations were based on the total number of shares issued.
[2] Includes minority interest.

COST OF SALES

Cost of sales amounted to HUF 114,529 million (EUR 409.0 million) in 2011, an increase of HUF 7,392 million (EUR 20.6 million) when compared to 2010.

GROSS PROFIT

Gross profit totalled HUF 193,339 million (EUR 690.5 million) in 2011 compared with HUF 168,175 million (EUR 609.8 million) in 2010.

Gross margin was higher in 2011 at 62.8 percent compared with the 61.1 percent level achieved in 2010. This favourable result arose due to a higher proportion of pharmaceutical segment sales with improved margins as a result of turnover mostly on EU15 markets originating from the OC portfolio acquired from Grünenthal recorded mostly on EU 15 markets while the share of the low margin wholesale and retail business within total sales declined when compared to the previous year.

OPERATING EXPENSES

Sales and marketing expenses amounted to HUF 79,120 million (EUR 282.6 million) in 2011, a 32.9 percent (30.9 percent in Euro terms) increase compared with 2010. The proportion to sales of S&M expenses was 25.7 percent in 2011. Sales and marketing costs were impacted by a substantial expansion of our sales network combined with increased promotional activities in the CIS countries. Costs related to establishing a sales force for the marketing of our existing and future gynaecological portfolio in Western Europe also contributed to the higher level of these expenses.

Amortisation of the marketing and intellectual property rights acquired from Grünenthal in the amount of HUF 4,348 million represented approximately 1.4 percent of total 2011 sales.

An annual registration fee payable in respect of medical representatives in Hungary was accounted for in the value of HUF 639 million in the first and the fourth quarters of 2011. The fees due for the second and third quarters of 2011 were considered to be allowable against R&D expenditures realised by Richter.

Administrative and general expenses totalled HUF 24,407 million (EUR 87.2 million) in 2011, representing a 11.5 percent (9.8 percent in Euro terms) increase when compared with the levels recorded in the previous year. These expenses include the time proportional amount of liabilities associated with medium term PregLem management incentive schemes.

Research and development costs represented 9.3 percent of sales and increased by 5.9 percent to HUF 28,713 million (EUR 102.5 million) during the reported period. These costs include the ongoing clinical trials being carried out in co-operation with Forest Laboratories while R&D expenses of the Group also now include such costs of both the PregLem and Richter-Helm Biologic subsidiary companies.

Other income and other expenses, totalled an expense of HUF 172 million (EUR 0.6 million) in 2011, compared with an income of HUF 3,038 million (EUR 11.0 million) in 2010.

On 3 August 2011 the International Court of Arbitration of the International Chamber of Commerce (ICC) adjudicated in favour of the Company in its arbitration proceedings related to the failure of the Polpharma transaction in the amount of US$ 40 million (HUF 8,394 million) as a break fee and a further US$ 3.5 million (HUF 766 million) as interest thereof. The fee and related interest have been accounted for entirely under Other income and expenses. The base period was substantially impacted by a milestone payment received in the second quarter 2010 in respect of a successful Phase III trial of cariprazine and an upfront payment received in the fourth quarter 2010 subsequent to the licencing-out agreement signed between PregLem, a wholly owned subsidiary of Gedeon Richter and Watson.

Impairment losses increased by HUF 1.7 billion in 2011 as a consequence of higher overdue receivables. Most of these overdue receivables arose at our Romanian and Ukrainian operations with impairment losses accounted for at our Romanian wholesaler subsidiary and at the Parent Company.

No provisions were accounted for in respect of the claw-back system effective between the last quarter 2009 and the third quarter 2011 in Romania, nonetheless we accounted for a HUF 170 million provision in connection with the amended regulations which came into effect in the fourth quarter 2011.

The amount of deferred purchase price due to previous owners of PregLem as presented in our accounts is discounted to its net present value reflecting the likelihood of future payments. As a consequence of PregLem, the wholly owned subsidiary of Gedeon Richter having received on 16 December 2011 a positive EMA/CHMP opinion for ESMYA® for the pre-operative treatment of uterine fibroids the deferred purchase price payment has been adjusted accordingly. In line with IFRS regulations subsequent adjustments will be recognised in the Profit and Loss statement. An increase in liabilities resulted in the amount of HUF 5,041 million which has been accounted for as Other income and expenses reflecting a change in the likelihood of payment in respect of the outstanding price.

The 12 percent (20 percent with effect from 1 July 2011) tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 1,037 million in 2011. The entire tax due for the second and third quarters 2011 became allowable following an amendment to the drug economic act which came into effect on 1 July 2011 permitting the deduction of 100 percent of such fees paid in respect of 2010 based on the level of R&D expenditures by Richter.

PROFIT FROM OPERATIONS

Profit from operations slightly declined in 2011. In HUF terms profit from operations was 60,927 million, a decrease of 2.8 percent; in Euro terms operating profit was EUR 217.6 million, a decrease of 4.2 percent when compared to the previous year. The consolidated operating margin decreased to 19.8 percent during the reported period from the 22.8 percent reported in 2010 primarily due to higher operating costs. The year on year change also reflects the impacts of a break-up fee paid by Genefar and a change in the likelihood of payement of outstanding liabilities related to PregLem accounted for in 2011 together with a milestone payment received in 2010.

NET FINANCIAL INCOME

	2011	2010	Change	2011	2010	Change
	HUFm	HUFm	HUFm	EURm	EURm	EURm
Unrealised financial items	**-13,025**	**-2,440**	**-10,585**	**-46.5**	**-8.8**	**-37.7**
Reassessment of currency related trade receivables and trade payables	2,248	-233	2,481	8.0	-0.8	8.8
Reassessment of currency loans	132	137	-5	0.5	0.5	0.0
Reassessment of credit	-5,504	38	-5,542	-19.7	0.1	-19.8
Reassessment of other currency related items	-537	-2,554	2,017	-1.9	-9.2	7.3
Unwinding of discounted value related to liability in respect of PregLem	-4,493	-	-4,493	-16.1	-	-16.1
Reversal of assessment of forward exchange contracts as of 1 January	-64	108	-172	-0.2	0.4	-0.6
Result of unrealised forward exchange and swap contracts	-249	64	-313	-0.9	0.2	-1.1
Impairment losses at investments	-4,558	-	-4,558	-16.2	-	-16.2
Realised financial items	**6,003**	**7,513**	**-1,510**	**21.4**	**27.2**	**-5.8**
Result of realised forward exchange contracts	189	-1,884	2,073	0.7	-6.8	7.5
Exchange gains realised on trade receivables and trade payables	2,089	4,400	-2,311	7.5	15.9	-8.4
Exchange gains on conversion	1,744	600	1,144	6.2	2.2	4.0
Dividends	59	11	48	0.2	0.0	0.2
Interest income	3,415	4,225	-810	12.2	15.3	-3.1
Interest expense	-1,266	-169	-1,097	-4.6	-0.6	-4.0
Other	-227	330	-557	-0.8	1.2	-2.0
Net financial income / (loss)	**-7,022**	**5,073**	**-12,095**	**-25.1**	**18.4**	**-43.5**

The net financial loss in 2011 totalled HUF 7,022 million (EUR 25.1 million), reflecting a decrease of HUF 12,095 million (EUR 43.5 million) when compared to a net financial gain of HUF 5,073 million (EUR 18.4 million) reported in 2010.

At the end of each reporting period foreign currency related assets and liabilites are routinely reassessed with the change in value being reflected as unrealised financial items. The total impact of such reassessments amounted to a loss of HUF 3,661 million at the end of 2011, an increase of HUF 1,049 million when compared with HUF 2,612 million loss at the end of 2010. The impairment loss from investments reflects primarily an updated fair value of Richter's share in Protek.

Fluctuations of period end exchange rates used during such reassessments are shown in the following table:

Exchange rate movements

	31 December 2010	31 March 2011	30 June 2011	30 September 2011	31 December 2011
EUR / HUF	277.75	265.78	265.61	292.12	311.13
US$ / HUF	208.95	186.98	183.39	215.65	240.68
CHF / HUF	223.98	204.22	219.92	239.40	255.91

On 14 June 2011 Richter Gedeon Plc. and the European Investment Bank signed a EUR 150 million credit line contract aimed at the financing of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of biosimilar products. An initial credit tranche in the value of EUR 50 million was drawn down on 21 December 2011.

Declining net interest income together with interest payments both impacted negatively net financial income.

SHARE OF PROFIT OF ASSOCIATES

Share of profit of associates amounted to a loss of HUF 4.234 million (EUR 15.1 million) in 2011. A deteriorating solvency position at Hungarian pharmacies has led to an impairment loss being accounted for by Hungaropharma. A share proportional stake of this loss has been accounted by Richter in the amount of HUF 4.3 billion.

INCOME TAX

Since 1 January 2004, as a result of its capital expenditure programme and the increase in the number of employees, Gedeon Richter Plc. has benefited from a 100 percent corporate tax holiday until 2012. The Group reported HUF 2,914 million (EUR 10.4 million) local business tax. Balance of deferred tax assets and liabilities amounted to HUF 3,380 million (EUR 12.1million) mostly related to loss carry forward incurred at PregLem. Such losses can be carried forward for a period of up to 7 years subsequent to their incidents in Switzerland. In accordance with international regulations such future tax reliefs have to be presented as deferred tax asset and they increase profits for the reported year.

PROFIT FOR THE YEAR

Profit for the year was HUF 49,552 million (EUR 177.0 million), HUF 15,088 million (EUR 57.4 million) lower than in 2010.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent decreased by HUF 15,099 million (EUR 57.4 million) during the reported period to HUF 49,380 million (EUR 176.4 million). It represented 16.0 percent of sales compared with the 23.4 percent reported for the previous year.

BALANCE SHEET

Total assets and total equity and liabilities of the Group amounted to HUF 688,285 million on 31 December 2011, HUF 85,008 million, or 14.1 percent higher than that reported on 31 December 2010.

Non-current assets amounted to HUF 379,584 million on 31 December 2011, 5.6 percent above the amount reported on 31 December 2010. The amount of Property, plant and equipment increased by 7.6 percent to HUF 155,630 million in 2011 primarily due to capitalization of the biotechnology plant in Debrecen. In accordance with IFRS 3 regulations, the value of ESMYA® accounted as intangible assets has been reassessed according to IAS 21 standards. The amount of Investments in associates decreased during the reported period. A deteriorating solvency position at Hungarian pharmacies resulted in losses having been accumulated at Hungaropharma and this has led to an impairment loss being accounted for in respect of Hungaropharma. The share proportional stake of this loss has been accounted by Richter in the amount of HUF 4.3 billion. A decrease was also recorded in Other financial assets to reflect primarily the decrease in the fair value of Richter's stake in Protek.

Current assets amounted to HUF 308,701 million and increased by HUF 64,908 million (26.6 percent) when compared to the level reported on 31 December 2010 mainly due to higher levels of Cash and cash equivalents, Trade receivables and Inventories. The increase in Cash occurred following the drawdown of the first EIB credit tranche in the value of EUR 50 million in December 2011.

Capital and reserves of the Group amounted to HUF 489,968 million, an increase of HUF 47,853 million over the balance as at 31 December 2010.

Non-current liabilities of the Group on 31 December 2011 at HUF 92,291 million were HUF 6,813 million lower than the levels reported at the end of the previous year. The financial impact of the reclassification of certain liabilities related to the PregLem acquisition as current liabilities was offset by the credit tranche of EUR 50 million drawn down in December 2011 according to the credit line contract signed with the European Investment Bank.

Current liabilities of the Group at HUF 106,026 million on 31 December 2011 were 70.8 percent higher than on 31 December 2010 mainly as a result of liabilities related to the acquisition of PregLem.

CASH FLOW

	2011	2010
	HUFm	HUFm
Net cash flow		
From operating activities	77,469	74,674
From investing activities	-39,462	-116,372
From financing activities	-5,251	21,604
Effect of foreign exchange rate changes	10,295	2,400
Increase in cash and cash equivalents	**43,051**	**-17,694**

As indicated by the cash flow statement, during 2011 the Group generated net cash from operating activities of HUF 77,469 million (EUR 276.7 million). A lower operating profit was offset by a boost in items which did not imply cash movements consequently cash from operating activities slightly increased. Record level cash directed towards capital expenditure in 2010 decreased during the reported year. Overall, cash increased by HUF 43,051 million in 2011partly as a result of an initial credit tranche in the value of EUR 50 million having been drawn down on 21 December 2011 from the EIB credit facility.

CAPITAL EXPENDITURE

Capital expenditure for the Group including payments for intangible assets totalled HUF 32,285 million in 2011 when compared to HUF 23,320 million recorded for 2010. The latter amount excludes expenditures linked to the acquisition of the OC portfolio of Grünenthal amounting to HUF 65,384 million (EUR 237.1 million).

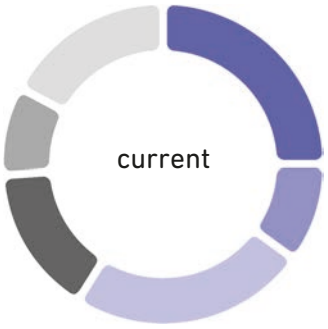
Small-scale replacements at both important Hungarian locations of the Group, Budapest and Dorog, as well as the further setup of a new manufacturing procedure based on nanotechnology were carried out during 2011.

In line with the strategic goal of improving its share of high intellectual value intensive production and taking advantage of a sound knowledge in the field of large scale fermentation procedures the Company has entered into the development of biosimilar research and manufacturing capacity. Following the acquisition in 2007 in Germany of a manufacturing unit dedicated towards the development of bacterial fermentation together with a related pilot plant and laboratory, Richter announced in 2008 a greenfield investment to be carried out in the Hungarian city of Debrecen aimed at the manufacturing of biosimilar products by means of mammalian cell fermentation. Installation and testing of the plumbing and supply systems, together with stand-alone and interconnected equipments within the plant were completed during 2011. The physical construction project was succesfully finished by the end of the year. The development of controlling and monitoring software, its implementation on the physical equipment is currently ongoing with expected completion in 2012. Capital expenditure related to biotechnology research and Development facilities and manufacturing capacity in Hungary was HUF 7,318 million (EUR 26.1 million) in 2011.

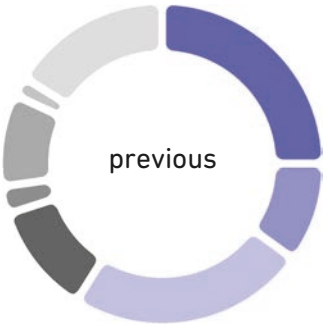
From among the various small-scale capital expenditure programs carried out at the subsidiaries of the Group it should be highlighted that in line with the announced expansion of Russian operations a warehousing capacity expansion project was launched while the further design work needed for the expansion of the manufacturing and office buildings was also commenced.

A new functional classification of capital expenditures was introduced at the Company during 2011. For comparative purposes we publish capital expenditures analysed by function according to both the old and the new classifications.

Capital expenditure analysed by function in 2011 – current and previous division



25% Capex at manufacturing subsidiaries
10% R&D (excluding Biotechnology)
24% Biotechnology
15% Support for manufacturing
9% Licence
17% Other



25% Production
10% R&D (excluding Biotechnology)
24% Biotechnology
11% Logistics
3% Environmental
9% Licence
2% IT
16% Other

TREASURY POLICY

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

Considering that about 87 percent of the Parent Company turnover is realised in various international currencies, while its costs are incurred mostly in Hungarian forints, operating profit is exposed to numerous currency fluctuations. To manage this exposure, the Board of Directors has approved a strategy of foreign exchange rate exposure risk reduction, in which forward contracts used for hedging purposes are employed. Such contracts have been concluded exclusively by the Parent Company.

Since January 2000, Richter has concluded forward exchange contracts to manage its exposure to fluctuations in exchange rates. Forward exchange contracts concluded by Richter in the first half of 2010 in order to minimise the US$/EUR exchange risk provided coverage for about 10 percent of the net US$ exposure due in the first half of 2011. No further forward exchange positions were opened during 2011. FOREX exposure of the Group materially changed with effect from 1 January 2011 with RUB having substituted EUR as the invoicing currency in Russia.

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

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

LITIGATION PROCEEDING

On 15 July 2008, Richter announced that due to the absence of the representatives of Genefar, the closing and the subscription of the new shares scheduled for 14 July 2008 did not take place. Richter immediately initiated discussions in order to find an amicable settlement and complete the anticipated transaction. However, in spite of Richter's efforts, such negotiations remained unsuccessful as Genefar and Mr. Starak failed to adhere to the signed agreement. As a result, the combination with Polpharma did not take place and Richter initiated in December 2008 legal proceedings before the Arbitration Court of the International Chamber of Commerce (ICC), claiming compensation for damages caused by such breach of contract. On 8 August 2011 the Company received the award of ICC dated August 3, 2011 in the arbitration proceedings related to the failure of the Polpharma transaction. In its award the Arbitral Tribunal ordered Genefar BV to pay to Gedeon Richter Plc. USD 40 million plus interest until payment as break fee. By the award the arbitration proceedings were closed, the Arbitral Tribunal dismissed the parties' further claims (including Genefar BV's counterclaim).

The break fee adjudicated to Richter has been acknowledged in the 2011 Profit and Loss Statement. The amount in its entirety was collected in October 2011.

CONSOLIDATED FINANCIAL STATEMENTS

2011

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gedeon Richter Plc.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gedeon Richter Plc. ("the Company") which comprise the consolidated balance sheet as of 31 December 2011 (in which the balance sheet total is MHUF 688,285), the consolidated income statement, consolidated statement of comprehensive income (in which the total comprehensive income for the year is MHUF 67,440), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

During our work we have audited the components and disclosures along with the underlying accounting records and supporting documentation in the consolidated financial statements of Gedeon Richter Plc. in accordance with Hungarian Standards on Auditing and, on the basis of our audit work, we have gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Gedeon Richter Plc. as of 31 December 2011, and of the results of its operation for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other reporting requirements regarding the business report

We have examined the accompanying consolidated business report of Gedeon Richter Plc. ("the Company") for the financial year of 2011.

Management is responsible for the preparation of the consolidated business report which is consistent with the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to assess whether or not the accounting information disclosed in the consolidated business report is consistent with that contained in the consolidated financial statements. Our work in respect of the consolidated business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. In our opinion the 2011 consolidated business report is consistent with the disclosures in the consolidated financial statements as of 31 December 2011.

Budapest, 23 March 2012

Barsi Éva
Partner
Statutory auditor
Licence number: 002945
PricewaterhouseCoopers Auditing Ltd.
1077 Budapest, Wesselényi u. 16.
License Number: 001464

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011	Notes	2011	2010
		HUFm	HUFm
Total revenues	5	**307,868**	**275,312**
Cost of sales		(114,529)	(107,137)
Gross profit		**193,339**	**168,175**
Sales and marketing expenses		(79,120)	(59,544)
Administration and general expenses		(24,407)	(21,890)
Research and development expenses		(28,713)	(27,126)
Other income and other expenses (net)		(172)	3,038
Profit from operations	5	**60,927**	**62,653**
Finance income		28,853	18,095
Finance costs		(35,875)	(13,022)
Net financial (loss) / income	7	**(7,022)**	**5,073**
Share of (loss) / profit of associates		(4,234)	50
Profit before income tax		**49,671**	**67,776**
Income tax	8	(119)	(3,136)
Profit for the year		**49,552**	**64,640**
Profit attributable to			
Owners of the parent		49,380	64,479
Non-controlling interest		172	161
Earnings per share (HUF)	9		
Basic		2,655	3,464
Diluted		2,649	3,460

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011	Notes	2011	2010
		HUFm	HUFm
			Restated*
Profit for the year		**49,552**	**64,640**
Exchange differences arising on translation of foreign operations		21,276	9,707
Revaluation reserve for available for sale investments	25	(3,388)	2,882
Other comprehensive income for the year		**17,888**	**12,589**
Total comprehensive income for the year		**67,440**	**77,229**
Attributable to:			
Owners of the parent		67,017	76,711
Non-controlling interest		423	518

* Restatement in connection with intangible assets (ESMYA®), (Note 40).

The notes on pages 75 to 132 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2011	Notes	2011	2010
		HUFm	HUFm
			Restated*
ASSETS			
Non-current assets		**379,584**	**359,484**
Property, plant and equipment	11	155,630	144,674
Investment property	12	1,379	1,006
Goodwill	19	33,686	29,933
Other intangible assets	11	165,120	155,183
Investments in associates	15	1,754	6,093
Other financial assets	16	14,338	18,278
Deferred tax assets	17	3,605	1,624
Loans receivable	18	4,072	2,693
Current assets		**308,701**	**243,793**
Inventories	20	63,437	51,657
Trade receivables	21	103,487	85,602
Other current assets	22	10,873	10,485
Investments in securities	23	11,752	20,285
Current tax asset	17	501	164
Cash and cash equivalents	24	118,651	75,600
Total assets		**688,285**	**603,277**
EQUITY AND LIABILITIES			
Capital and reserves		**489,968**	**442,115**
Equity attributable to owner of the parent		**486,105**	**438,984**
Share capital	25	18,638	18,638
Treasury shares	26	(4,513)	(539)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	25	21,711	686
Revaluation reserve for available for sale investments	25	(32)	3,356
Retained earnings		431,612	398,154
Non-controlling interest		3,863	3,131
Non-current liabilities		**92,291**	**99,104**
Borrowings	30	62,226	41,694
Deferred tax liability	17	20,357	19,680
Other non-current liability	31	9,708	37,730
Current liabilities		**106,026**	**62,058**
Borrowings	30	164	21
Trade payables	27	41,016	32,370
Current tax liabilities	17	34	192
Other payables and accruals	28	62,289	27,298
Provisions	29	2,523	2,177
Total equity and liabilities		**688,285**	**603,277**

* Restatement in connection with intangible assets (ESMYA®), (Note 40).

The notes on pages 75 to 132 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011	Notes	Share capital	Share premium
		HUFm	HUFm
Balance at 1 January 2010		**18,638**	**15,214**
Comprehensive income at 31 December 2010*		**-**	**-**
Net treasury shares transferred to employees	26	-	-
Ordinary share dividend for 2009	32	-	-
Recognition of share-based payments	25	-	-
Balance at 31 December 2010*		**18,638**	**15,214**
Balance at 1 January 2011*		**18,638**	**15,214**
Comprehensive income at 31 December 2011		**-**	**-**
Net treasury shares transferred to employees	26	-	-
Ordinary share dividend for 2010	32	-	-
Recognition of share-based payments	25	-	-
Non-controlling interest on new acquisition	36.2	-	-
Balance at 31 December 2011		**18,638**	**15,214**

* Restatement in connection with intangible assets (ESMYA®), (Note 40).

The notes on pages 75 to 132 form an integral part of the consolidated financial statements.

Capital reserves	Treasury shares	Revaluation reserve for available for sale investments	Foreign currency translation reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interest	Total
HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
			Restated*		Restated*		Restated*
3,475	(825)	474	(8,664)	347,830	376,142	2,613	378,755
-	-	2,882	9,350	64,479	76,711	518	77,229
-	286	-	-	-	286	-	286
-	-	-	-	(14,328)	(14,328)	-	(14,328)
-	-	-	-	173	173	-	173
3,475	(539)	3,356	686	398,154	438,984	3,131	442,115
3,475	(539)	3,356	686	398,154	438,984	3,131	442,115
-	-	(3,388)	21,025	49,380	67,017	423	67,440
-	(3,974)		-	-	(3,974)	-	(3,974)
-	-	-	-	(16,009)	(16,009)	-	(16,009)
-	-	-	-	87	87	-	87
-	-	-	-	-	-	309	309
3,475	(4,513)	(32)	21,711	431,612	486,105	3,863	489,968

The notes on pages 75 to 132 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011	Notes	2011	2010
		HUFm	HUFm
OPERATING ACTIVITIES			
Net income attributable to owners of parent company		49,380	64,479
Depreciation and amortisation		24,459	21,135
Non cash items accounted through Comprehensive and Consolidated Income Statement	15, 28, 31	20,389	(4,063)
Net financial income		(2,208)	(4,067)
Income tax recognised through profit or loss		119	3,136
Changes in provision for defined benefit plans	29	13	184
Loss / (gain) on disposal of property, plant and equipment and intangible assets		1,097	(237)
Impairment loss recognised on intangible assets		-	35
Impairment losses at investments		4,558	-
Movements in working capital			
Increase in trade and other receivables		(17,561)	(6,813)
(Increase) / decrease in inventories		(10,271)	98
Increase in payables and other liabilities		12,326	5,370
Interest paid		(1,266)	(169)
Income tax paid	17	(3,566)	(4,414)
Net cash flow from operating activities		**77,469**	**74,674**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(26,617)	(19,366)
Payments for intangible assets		(5,668)	(69,338)
Proceeds from disposal of property, plant and equipment		494	1,352
Payments to acquire financial assets		(3,535)	(3,861)
Proceeds on sale of financial assets		8,321	-
Proceeds from loans		(1,376)	(1,116)
Interest and similar income		3,415	4,225
Dividend income		59	11
Net cash outflow on acquisition of subsidiaries	36	(14,555)	(28,279)
Net cash flow from investing activities		**(39,462)**	**(116,372)**
CASH FLOW FROM FINANCING ACTIVITIES			
(Purchase of) /proceeds from disposal of treasury shares	26	(3,974)	286
Dividends paid		(15,994)	(14,308)
Other payments of financing activities		(371)	-
Proceeds from borrowings		15,088	35,626
Net cash flow from financing activities		**(5,251)**	**21,604**
Net increase/(decrease) in cash and cash equivalents		**32,756**	**(20,094)**
Cash and cash equivalents at beginning of year		**75,600**	**93,294**
Effect of foreign exchange rate changes on the balances held in foreign currencies		10,295	2,400
Cash and cash equivalents at end of year		**118,651**	**75,600**

The notes on pages 75 to 132 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL BACKGROUND

I) Legal status and nature of operations

Gedeon Richter Plc. ('the Company'), the immediate parent of the Group, a manufacturer of pharmaceutical products based in Budapest, was established first as a Public Limited Company in 1923. The predecessor of the Parent Company was founded in 1901 by Mr Gedeon Richter, when he acquired a pharmacy. The Company is a public limited company, which is listed on the Budapest Stock Exchange. The Company is headquartered in Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

II) Basis of preparation

The consolidated financial statements of Richter Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). All standards and interpretations issued by the International Accounting Standards Board (IASB) effective at the time of preparing the consolidated financial statements and applicable to Richter Group have been endorsed by the EU. Therefore the consolidated financial statements currently also comply with IFRS as issued by the IASB and also comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as endorsed by the EU.

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for the revaluation of certain financial instruments and the investment property, which are valued at fair value. The amounts in the Consolidated Financial Statements are stated in millions of Hungarian Forints (HUFm). The members of the Group maintain accounting, financial and other records in accordance with relevant local laws and accounting requirements. In order to present financial statements which comply with IFRS, appropriate adjustments have been made by the members of the Group to the local statutory accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

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

III) Adoption of new and revised Standards

A) Standards, amendments and interpretations effective and adopted by the Group in 2011

IAS 24 (revised). In November 2009, the IASB issued a revised version of IAS 24 Related Party Disclosures. Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. Furthermore the IASB has simplified the definition of related party and removed inconsistencies. The Group adopted the revised standard as of 1 January 2011. The State Holding Company (MNV Zrt.), as a business organisation is having a significant interest over Richter nevertheless the Group has no other transactions with the State Holding Company, than the regular dividend payments. The Group does not perform significant transactions with other entities controlled or significantly influenced by the Hungarian State therefore the revised standard did not have a significant impact on the disclosures in the Group's financial statements.

B) Standards, amendments and interpretations effective in 2011 but not relevant for the Group

IAS 32 (amended) – The IASB published an amendment to IAS 32 Financial Instruments: Presentation in October 2009. The amendment clarifies the classification of rights issues as equity or liabilities for rights issues that are denominated in a currency other than the functional currency of the issuer. These rights issues are recorded as derivative liabilities before the amendment. The amendment requires that such right issues offered pro rata to all of an entity's existing shareholders are classified as equity. The classification is independent of the currency in which the exercise price is denominated. The amendment did not have any impact on the Group's financial statements as Richter Group has no such instruments.

IFRS 1 The IASB amended IFRS 1 in January 2010 and in December 2010. As the Group has been reporting according to IFRS for many years, neither the original standard, nor any revision to that is relevant for the Group.

IFRIC 14 (amended) IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. In November 2009, the IASB issued an amendment to IFRIC 14, which corrects an unintended consequence of IFRIC 14. Without the amendments, in some circumstances entities are not permitted to recognize some voluntary prepayments for minimum funding contributions as an asset. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amended interpretation is not applicable to Richter Group as the Group has no funded defined post-retirement benefit schemes.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This interpretation issued in November 2009 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation did not have any impact on Richter Group's financial statements as the Group does not extinguish any of its financial liabilities with equity instruments.

C) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

IAS 1 (amended) – The IASB published amendments to IAS 1 Presentation of Financial Statements in June 2011. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be reclassified to the profit or loss section of the income statement (recycled) and those elements that will not. The application of the amendment is required for annual periods beginning on or after 1 July 2012. We do not expect that the adoption of the amended standard would result in significant changes in the presentation in the Other Comprehensive Income. The European Union has not yet endorsed the amendments of the standard.

IAS 19 (amended) – The IASB published amendments to IAS 19 - Employee Benefits in June 2011. The amendments focus on the following key areas:

- Recognition (only defined benefit plans) – elimination of the 'corridor approach'
- Presentation (only defined benefit plans) – gains and losses that arises from remeasurements should be presented (only) in other comprehensive income (elimination of the remaining options)
- Disclosures – enhancing of disclosure requirements, e.g.
  - the characteristics of a company's defined benefit plans,
  - amounts recognized in the financial statements,
  - risks arising from defined benefit plans and
  - participation in multi-employer plans
- Improved / clarified guidance relating to several areas of the standard, e.g.
  - classification of benefits,
  - recognition of termination benefits and
  - interest rate relating to the expected return on the plan assets

The application of the amendment is required for annual periods beginning on or after 1 January 2013. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements of the Group. The European Union has not yet endorsed the amendments of the standard.

IAS 32 (amended) – The IASB published amendments to IAS 32 Financial Instruments: Presentation in December 2011. The amendments to IAS 32 clarify the IASB's requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32. The pronouncement clarifies:

- the meaning of 'currently has a legally enforceable right of set off the recognized amounts'; and
- that some gross settlement systems may be considered equivalent to net settlement.

The application of the amendment is required for annual periods beginning on or after 1 January 2014. A reporting entity must apply the amended standard retrospectively. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements of the Group. The European Union has not yet endorsed the amendment of the standard.

IFRS 7 (amended) – The IASB published an amendment to IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosures in October 2010. The amendment requires quantitative and qualitative disclosures regarding transfers of financial assets that do not result in entire derecognition, or that result in continuing involvement. This is intended to allow users of financial statements to improve their understanding of such transactions (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of such transactions are undertaken around the end of a reporting period. The application of the amendment is required for annual periods beginning on or after 1 July 2011. An earlier application is permitted. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements disclosures of the Group. The European Union has not yet endorsed the amended standard.

The IASB published amendments to IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosures in December 2011. The IASB and the Financial Accounting Standards Board (FASB) issued common disclosure requirements that are intended to help to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The common disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of collateral pledged or received. The application of the amendment is required for annual periods beginning on or after 1 January 2013. A reporting entity must apply the amended standard retrospectively. We do not expect that the adoption of the amended standard would result in significant changes in the financial statements disclosures of the Group. The European Union has not yet endorsed the amended standard.

IFRS 9 Financial Instruments. The standard forms the first part of a three-phase project to replace IAS 39 (Financial Instruments: Recognition and Measurement) with a new standard, to be known as IFRS 9 Financial Instruments. IFRS 9 prescribes the classification and measurement of financial assets and liabilities. The remaining phases of this project, dealing with the impairment of financial instruments and hedge accounting, as well as a further project regarding derecognition, are in progress.

Financial assets – At initial recognition, IFRS 9 requires financial assets to be measured at fair value. After initial recognition, financial assets continue to be measured in accordance with their classification under IFRS 9. Where a financial asset is classified and measured at amortized cost, it is required to be tested for impairment in accordance with the impairment requirements in IAS 39. IFRS 9 defines the below rules for classification.

- IFRS 9 requires financial assets other than equity instruments to be classified as subsequently measured at either amortized cost or fair value. There are two conditions needed to be satisfied to classify financial assets at amortized cost: (1) The objective of an entity's business model for managing financial assets has to be to hold assets in order to collect contractual cash flows; and (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where either of these conditions is not satisfied, financial assets are classified at fair value.

- Fair Value Option: IFRS 9 permits an entity to designate an instrument, that would otherwise have been classified in the amortized cost category, to be at fair value through profit or loss if that designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch').

- Equity instruments: The default category for equity instruments is at fair value through profit or loss. However, the standard states that an entity can make an irrevocable election at initial recognition to present all fair value changes for equity investments not held for trading in other comprehensive income. These fair value gains or losses are not reported as part of a reporting entity's profit or loss, even when a gain or loss is realized. Only dividends received from these investments are reported in profit or loss.

- Embedded derivatives: The requirements in IAS 39 for embedded derivatives have been changed by no longer requiring that embedded derivatives to be separated from financial asset host contracts.

- Reclassification: IFRS 9 requires reclassification between fair value and amortized cost when, and only when there is a change in the entity's business model. The 'tainting rules' in IAS 39 have been eliminated.

Financial liabilities – IFRS 9 'Financial Instruments' sets the requirements on the accounting for financial liabilities and replaces the respective rules in IAS 39 'Financial Instruments: Recognition and Measurement'. The new pronouncement

- Carries forward the IAS 39 rules for the recognition and derecognition unchanged.
- Carries forward most of the requirements in IAS 39 for classification and measurement.
- Eliminates the exception from fair value measurement for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument.
- Changes the requirements related to the fair value option for financial liabilities to address own credit risk.

The IASB issued amendments to IFRS 9 in December 2011 and deferred the mandatory effective date of IFRS 9 from 1 January 2013 to 1 January, 2015. The deferral will make it possible for all phases of the IFRS 9 project to have the same mandatory effective date. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This relief was originally only available to companies that chose to apply IFRS 9 prior to 2012. Instead, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The adoption of the new standard will likely result in changes in the financial statements of the Group, the exact extent of which we are currently analyzing. The European Union has not yet endorsed either the standard or its amendment.

IFRS 10, IFRS 11, IFRS 12, IAS 27 (amended) and IAS 28 (amended) – The IASB published IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities and amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures in May 2011.

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement, whereby the parties that have joint control have rights to the net assets.

IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27 Separate Financial Statements. The other portions of IAS 27 are replaced by IFRS 10.

IAS 28 Investments in Associates and Joint Ventures is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

An entity shall apply this package of five new and revised standards for annual periods beginning on or after 1 January 2013. We do not expect that the adoption of these standards other than IFRS 11 would result in significant changes in the financial statements of the Group. We are currently analyzing the exact effects of IFRS 11 in the Group's Financial Statements. The European Union has not yet endorsed the new standards and the amendments.

IFRS 13 The IASB published IFRS 13 Fair Value Measurement in May 2011 in order to replace the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS 13 is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgment). The new standard should be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted. We do not expect that the adoption of the new standard would result in significant changes in the financial statements of the Group, the exact extent of which we are currently analyzing. The European Union has not yet endorsed the new standard.

D) Standards, amendments and interpretations that are not yet effective and not relevant for the Group's operations

IAS 12 (amended). In December 2010, the IASB issued the pronouncement 'Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12'. The new pronouncement 'Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12' sets presumptions for the recovery (e.g. use or sale) of certain assets. This is relevant in cases where the type of recovery has different tax consequences. The pronouncement sets the rebuttable presumption that the carrying amount of investment property that is measured using the fair value model in IAS 40 will be recovered through sale. Moreover, the carrying amount of a non-depreciable asset measured using the revaluation model in IAS 16 is always deemed to be recovered through sale. The amendment supersedes SIC 21 and shall be applied for annual periods beginning on or after 1 January 2012. Earlier application is permitted. As Richter Group does not apply the revaluation model in IAS 16 and the investment property owned by the Group is located in Hungary, the amended standard will not have any impact on the Group's financial statements. According to Hungarian income tax act the method of Recovery of Underlying Assets does not effect the tax treatment. The European Union has not yet endorsed the amended standard.

IFRIC 20 In October 2011, the IASB published IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. The interpretation shall be applied for annual periods beginning on or after 1 January 2013. Earlier application is permitted. As Richter Group does not have mining activity, the interpretation will not have any impact on the Group's financial statements. The European Union has not yet endorsed the interpretation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

I) Basis of Consolidation

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

II) Investments in joint ventures and associated companies

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

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

III) Transactions and balances

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Hungarian Forints million (HUFm), which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within finance income or finance expense.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of the Hungarian National Bank rates prevailing on the balance sheet date except for share capital, which is translated at historic value. Income and expense items are translated at the average exchange rates weighted with monthly turnover. Exchange differences arising, if any, are recognised in other comprehensive income.

Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

IV) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.
Revenue on sales transactions is recognised upon fulfilment the terms of sales contracts.

A) SALES OF GOODS

The Group manufactures and sells wide range of pharmaceuticals in the wholesale and retail market.
The Richter Group operates a chain of pharmacies - mainly located in Romania – and several distribution companies to convey products to consumers. Most of their turnover is generated by products other than those manufactured by the Group.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the Pharma segment of the Group dominant part of the revenue from sale of goods originates from sale of finished form pharmaceuticals and active pharmaceutical ingredients. From therapeutic point of view the female healthcare, cardiovascular and central nervous system related drugs are the most significant products.

B) SALES OF SERVICES

Revenue, on rendering services, such as pharmaceutical and biotech products trading, marketing services, transportation, is recognised at entities operating in Other segment of the Group. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

C) PROFIT SHARING

Sales revenue includes also Profit sharing income, paid by the partners according to agreed terms. These partners are providing information on regular basis to the group on their turnover and assess the Group's share of the profit of these transactions. Revenue from profit sharing agreements are accounted in the accounting period when the underlying sales is performed.

D) ROYALTIES

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement. In case the Company is achieving a one off royalty revenue by selling a license to the customer, the revenue is recognised in the perod when the risk and rewards are transferred to the other party. In case the Company is obtaining regular revenue based on the sales or other activity of the other party, revenue is recognised in the period when the underlying activity is performed by the customer.

E) INTEREST INCOME

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

F) DIVIDEND INCOME

Dividend is recognised when the right to receive payment is established.

V) Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment are stated at historical cost less accumulated depreciation, and accumulated impairment loss.

Depreciation is charged so as to write the cost of assets (less residual value) off from Balance Sheet on a straight-line basis over their estimated useful lives. The Group uses the following depreciation rates:

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

The depreciation amount for a period of a plant, property and equipment shall be determined based on its expected usage, useful life, and physical wear and tear and estimated residual value. Depreciation is calculated monthly, and recognised as cost of sales, sales and marketing expenses or administration and general expenses, depending on the purpose of usage of underlying assets, in the Consolidated Income Statement and recognised as Inventories in the Consolidated Balance Sheet.

Assets in the course of construction are not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance costs are not capitalised.

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

Initial cost of construction in progress shall contain all cost elements that are directly attributable to its production or installation during the reporting period.

The residual value of plant, property and equipment with the exception of cars is zero, because of the nature of the activity of the Group. Residual value of cars is 20% of their initial cost.

The amortization period and the amortization method for property, plant and equipment shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then depreciation calculated for current and future periods shall be adjusted accordingly.

VI) Goodwill

Goodwill arising on consolidation represents the excess of the cost of combination over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, or jointly controlled entity at the date of acquisition. Goodwill is recognised separately in the Consolidated Balance Sheet and is not amortised but is reviewed for impairment annually in line with IAS 36. In each reporting period the Parent Company reviews its goodwill for possible impairment. For impairment testing goodwill is allocated to Group's individual or group of cash generating units. The recoverable amount of the cash generating unit is the higher of fair value less cost to sell or its value in use, which is determined by Discounted Cash Flow method.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The impairment loss is recognised in the 'other income and other expenses (net)' line in the Consolidated Income Statement. The impairment losses on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

When in the case of a bargain purchase, the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement within Other income and other expenses (net).

Goodwill arising on acquisitions are recorded in the functional currency of the acquired entity and translated at year end closing rate.

VII) Intangible assets

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

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

Individually significant intangible assets are presented in Note 11.

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

The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then depreciation calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been determined to be nil.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

VIII) Investment property

Investment properties, which are held to earn rentals are measured initially at cost. Subsequent to initial recognition, investment properties are measured at fair value determined by independent appraiser. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise and presented as Other income and other expenses (net).

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

IX) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the members of the Group review the carrying amount of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the amount of such an impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss as 'Other income and other expenses (net)'.

The Group shall assess at each balance sheet date whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset, and the carrying value of the asset shall be increased to this value. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized for the asset in prior years. A reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as Other income and other expenses (net).

X) Research and development

Cost incurred on development projects are recognised as intangible assets when they meet the recognition criteria of IAS 38 'Intangible Assets'.

To-date, no R&D costs have met these recognition criteria. Accordingly, all of the Company's R&D costs to-date have been expensed when incurred.

XI) Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A) Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

B) Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

C) Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'financial income' or 'financial expense'. Dividends on available-for-sale equity instruments and interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as financial income.

In case of purchase or sale of financial assets the transactions are accounted at the settlement date.

D) Financial assets constituting loans receivables are presented separately in XIV) Loans receivable, while Trade receivables are described in XVI) Trade receivables.

For assets carried at amortised cost the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For assets classified as available for sale the group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria described above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. This impairment accounted in Consolidated Income Statement as Financial costs. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

XII) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Financial liabilities constituting trade payables are described separately in XVII) Trade payables.

XIII) Other financial assets

Investments comprise long term bonds and unconsolidated investments in other companies. These investments are 'held-to-maturity' investments and 'available-for-sale' financial assets as described in Note 16.
Unconsolidated investments are those investments where the Parent Company does not hold controlling powers, joint control or does not have an ability to exercise significant influence.

XIV) Loans receivable

Loans receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity presented at discounted value as of the balance sheet date.

XV) Inventories

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

XVI) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

XVII) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

XVIII) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in the income statement. The derivative transactions of the Group do not qualify to be hedging transactions therefore no hedge accounting is applied.

XIX) Cash and cash equivalents

In the consolidated statement of cash flows Cash and cash equivalents comprise: cash in hand, bank deposits, and investments in money market instruments with a maturity date within three months accounted from the date of acquisition, net of bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. The Group does not have any bank overdraft as of the year end of 2011 and 2010.

XX) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

XXI) Provisions

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

PROVISION FOR ENVIRONMENTAL EXPENDITURES

The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the Group has constructive or legal obligation to perform these remedial works and when expenditure on such remedial work is probable and its costs can be estimated within a reasonable range. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The Group does not have legal or constructive obligation in relation to environmental expenditures neither as of 31 December 2011 nor as of 31 December 2010.

PROVISION FOR RETIREMENT BENEFITS

The Group operates long term defined employee benefit program, which is described in XXVI) Employee Benefits

XXII) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is provided, using the liability method, in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In case the Group is eligible for investment tax credit, the initial recognition exemption is applied, therefore no deferred tax is recognised in connection with this investment.

XXIII) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

XXIV) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

XXV) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

XXVI) Employee benefits

PENSION OBLIGATIONS
The Group operates long term defined employee benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19, for defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.
The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method), and valued at present value by using actuarial discount rate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the Consolidated Income Statement in the period in which they arise.

DEFINED CONTRIBUTION PLANS
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

TERMINATION BENEFIT
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination, that is the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

XXVII) Share based payment

The Group is granting treasury shares to certain employees in its employee share bonus programs. Details of these bonus programs are set out in Note 26. These bonus programs are accounted for as equity-settled share-based payments.
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis (adjusted with the change in estimate) over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

XXVIII) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement as Other income and other expenses (net) on a straight-line basis over the expected lives of the related assets.

XXIX) Share Capital

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.
Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

XXX) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability and debited against equity (retained earnings) in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

XXXI) Comparative financial information

The Group has recognized that the value of ESMYA® (an intangible asset) in the Consolidated Financial Statements as of 31 December 2010 has been accounted incorrectly in HUF and not in the functional currency of the subsidiary owning ESMYA® that is CHF. The IAS 21 year end foreign exchange translation of intangible assets has been made retrospectively, which resulted in an increase of HUF 4,457 million in the value of ESMYA® against foreign currency translation reserves (through Consolidated Statement of Comprehensive Income) in 2010. Current year end foreign exchange translation difference increased the value of ESMYA® by further HUF 10,160 million.
This adjustment has no impact on years prior to 2010 since ESMYA® was acquired in 2010, therefore the Group is not presenting the beginning of the earliest comparative period in Consolidated Balance Sheet (Note 40).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

3.1 Key sources of estimation uncertainty

IMPAIRMENT OF GOODWILL
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in point VI). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

An impairment charge of HUF 271 million arose Gedeon Richter Farmacies S.A. during the course of the 2011 year (in 2010 it was HUF 95 million), resulting in the carrying amount of the CGU being written down to its recoverable amount. We also performed sensitivity test presented in Note 19. After the impairment test the Group still has HUF 1,966 million goodwill presented in connection with Gedeon Richter Farmacia S.A., while in 2010 it was HUF 2,038 million.

Gedeon Richter Polska Sp. z o.o achieved significant profit in 2011, and its midterm financial plans further growth is expected of the company. As a result of this no impairment was required at the end of financial year of 2011 similar to 2010.

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe. The management assessed that no impairment should be charged on the goodwill of PregLem acquisition as of 31 December 2011, since the company's current activity is limited to research and development and pre-marketing activities, which will result in future sales and profit. The input factors of the impairment review improved significantly in compare to the prior year, which is also supported by that in February 2012 the European Commission (EC) has granted marketing authorization to ESMYA®.

ALLOWANCE FOR BAD AND DOUBTFUL ACCOUNTS RECEIVABLE

The Group calculates an allowance for bad and doubtful accounts receivable to cover the incurred losses resulting from the inability of its customers to make required payments according to original contractual terms. Allowance for bad and doubtful accounts receivable recognized in the Consolidated Balance Sheet amounted to HUF 2,499 million and HUF 2,791 million at 31 December 2011 and 2010, respectively. The estimates used in evaluating the adequacy of the allowance for bad and doubtful accounts receivable are based on the aging of the accounts receivable balances, customer credit-worthiness and changes in customer payment pattern.

PROVISION

The provision calculated for retirement benefits in line with IAS 19 contains actuarial assessments. The determinations of assessments are described in Note 29.

DEPRECIATION

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The Group recorded depreciation and amortisation expense in the amount of HUF 24,459 million and HUF 21,135 million for the years ended 31 December 2011 and 2010, respectively. The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technology evolution and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually.

UNCERTAIN TAX POSITION IN ROMANIA

From 1 October 2009 the Government approved a claw back regime in the range of 5-12 % (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the manufacturers from sales of reimbursed drugs. On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force (Note 37).

PREGLEM DEFERRED PURCHASE PRICE PAYMENTS

As announced at 6 October 2010, Gedeon Richter Plc. acquired a 100% ownership in PregLem. The transaction values PregLem at up to CHF 445 million provided certain milestones are achieved, with the consideration to be settled in cash. The amount of deferred purchase price due to previous owners of PregLem as presented in our accounts at probability weighted discounted value reflecting the likelihood of future payment and it is remeasured in every period. The effect of change in the probability of the payment in respect of the outstanding price in comparison with previous year is presented in Note 5. The effect of unwinding of discounted value described in Note 7, while the related liability as of 31 December 2011 is presented as Other payables and accruals (Note 28) and as other non-current liabilities (Note 31).

3.2 Critical judgements in applying entities accounting policies

INVESTMENT TAX CREDIT

The Parent Company has been eligible to tax credit as a result of the investment performed by the Company described in Note 8. There are two criteria that are needed to be fulfilled in order to qualify for this tax credit, which are the employee numbers and the invested amount. Since the Parent Company's employee number significantly exceeds the minimum employee number required for the tax credit, this does not present substantial requirement. The Group assessed this relief to be an investment tax credit. Based on the accounting policy of the Group, investment tax credit is treated as increase of the related asset's tax base. Since the asset was not acquired in a business combination and neither accounting profit nor taxable profit is affected on the related asset's initial recognition, the deductible temporary difference that arises will be exempt due to the initial recognition exemption in paragraph 24 of IAS 12 and therefore no deferred tax asset is recognised.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Chief Operating Decision Makers) that are used to make strategic decisions. The three main segments for management purposes:

- Pharmaceuticals: includes the companies that are involved in the Group's core business, i.e. research, development and production of pharmaceutical products
- Wholesale and retail: distribution companies and pharmacies that are part of the sales network in various regional markets and, as such, convey our products to consumers
- Other: presents all the other consolidated companies that provide marketing and sales support services mainly to the members of the Group.

I) Business segments

	Pharmaceuticals		Wholesale and retail		Other		Eliminations		Total	
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		Restated*								Restated*
3rd party revenues	247,062	214,738	37,668	36,741	23,138	23,833	-	-	307,868	275,312
Inter segment revenues	27,077	23,411	4	2	21,735	12,132	(48,816)	(35,545)	-	-
Total revenues	**274,139**	**238,149**	**37,672**	**36,743**	**44,873**	**35,965**	**(48,816)**	**(35,545)**	**307,868**	**275,312**
Profit from operations	67,036	63,422	(2,644)	(626)	(275)	444	(3,190)	(587)	60,927	62,653
Total assets*	754,056	660,710	47,554	40,717	30,066	19,017	(143,391)	(117,167)	688,285	603,277
Liabilities	177,872	144,143	49,129	42,887	20,024	8,939	(48,708)	(34,807)	198,317	161,162
Capital expenditure	30,788	87,508	456	620	1,047	582	(6)	(6)	32,285	88,704
Depreciation	23,237	20,116	703	599	519	420	-	-	24,459	21,135
Share of profit of associates	-	-	(4,234)	50	-	-	-	-	(4,234)	50
Investments in associates	-	-	1,754	6,093	-	-	-	-	1,754	6,093

* Restatement in connection with intangible assets (ESMYA®), (Note 40).

II) Entity wide disclosures

The external customers of the Group are domiciled in the following regions:

1. Hungary
2. CIS (Commonwealth of Independent States)
3. EU
4. USA
5. Other countries.

2011	Hungary	CIS	EU	USA	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Total revenues	35,683	124,410	108,916	20,513	18,346	307,868
Total assets	514,762	41,626	78,826	2,713	50,358	688,285
Capital expenditure	25,130	1,863	1,731	13	3,548	32,285

2010	Hungary	CIS	EU	USA	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
	Restated*					Restated*
Total revenues	33,759	103,242	93,304	29,835	15,172	275,312
Total assets*	459,581	25,301	66,307	4,567	47,521	603,277
Capital expenditure	84,898	798	1,314	-	1,694	88,704

* Restatement in connection with intangible assets (ESMYA®), (Note 40).

Revenues from external customers are derived from the sales of goods, revenue from services and royalty incomes as described below.

Analyses of revenue by category	2011	2010
	HUFm	HUFm
Sales of goods	302,679	269,955
Revenue from services	4,959	5,174
Royalty income	230	183
Total revenues	**307,868**	**275,312**

Revenues of approximately HUF 31,913 million (2010: HUF 29,337 million) are derived from a single external customer. These revenues are attributable to the Pharmaceuticals segment and located in the CIS region.

There is no other customer exceeding 10% of net sales, therefore the Group assesses the risk of customer concentration as not significant.

5. PROFIT FROM OPERATIONS – EXPENSES BY NATURE

	2011	2010
	HUFm	HUFm
Total revenues	307,868	275,312
From this: royalty and other similar income	*230*	*183*
Changes in inventories of finished goods and work in progress, cost of goods sold	(23,909)	(28,802)
Material type expenses	(116,703)	(97,373)
Personnel expenses	(81,698)	(68,387)
Depreciation and amortisation	(24,459)	(21,135)
Other income and other expenses (net)*	(172)	3,038
Profit from operations	**60,927**	**62,653**

* The three most significant items presented within Other income and other expenses (net):

The Parent Company performs the part of purchase price of PregLem with deferred milestone payment, which liability was initially recognized on present value reflecting the likelihood of future payment in 2010.
In December 2011 competent committee (CHMP) of European Medicines Ageny (EMA) has given positive opinion for granting ESMYA®'s European marketing authorization for the pre-operative treatmen of uterine fibroids (myomas).
As a result of the positive opinion the likelihood of the ESMYA®'s European approval (for pre-operative treatmen of myomas) had to be increased to 100% compared to the lower likelihood assumed at the initial recognition. Reflecting a change in the likelihood of payment in respect of outstanding purchase price, on increase in liabilities resulted in the amount of HUF 5,041 million which has been accounted for as Other income and other expenses (net) in 2011.

On 3 August 2011 the International Court of Arbitration of the International Chamber of Commerce (ICC) adjudicated in favour of the Company in its arbitration proceedings related to the failure of the Polpharma transaction in the amount of US$ 40 million (HUF 8,394 million) as a break fee and a further US$ 3.5 million (HUF 766 million) as interest thereof. The amount has been settled in October 2011. The fee and related interest have been accounted for entirely under Other income and other expenses (net).

The 12 % (20% with effect from 1 July 2011) tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 1,037 million in 2011 which was recorded as other expenses. The entire tax due for the second and third quarters 2011 became allowable following an amendment to the drug economic act which came into effect on 1 July 2011 and permitted deduction of 100 % of such fees paid in respect of 2010 based on the level of R&D expenditures by Richter.

6. EMPLOYEE INFORMATION

	2011	2010
Average number of people employed during the year	10,752	10,176

The newly acquired companies resulted in an increase of 115 in the average number of employees during 2011.

7. NET FINANCIAL INCOME

The Group is translating its foreign currency monetary assets and liabilities to the year end fx rate on individual item level, which is presented in the Consolidated Income Statement separately as Finance income or Finance costs. Since the management of the company is analysing these translation differences on net basis, we are describing these balance also on net basis as follows:

	2011	2010
	HUFm	HUFm
Interest income	3,415	4,225
Interest paid	(1,266)	(169)
Dividend income	59	11
Realised gains/(loss) on forward exchange contracts	189	(1,884)
Unrealised (losses)/gains from the fair value of forward exchange contracts	(313)	172
Gain on sale of investments	11	16
Exchange gains realised on trade receivables and trade payables	2,089	4,400
Gain on foreign currency loans receivable	132	137
Year end foreign exchange translation difference of credit	(5,504)	38
Unrealised exchange gains/(losses) on trade receivables and trade payables	2,248	(233)
Unwinding of discounted value related to liability in respect of PregLem	(4,493)	-
Impairment loss of investments	(4,558)	-
Other financial items	969	(1,640)
Total	**(7,022)**	**5,073**

Unrealised financial income/(expense) was heavily affected by the 240.68 US$/HUF and 311.13 EUR/HUF exchange rates in effect on 31 December 2011 (on 31 December 2010 208.95 US$/HUF and 277.75 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation differences together resulted a decrease of HUF 3.7 billion in the net financial income for 2011.

Derivative transactions are only made by the Parent Company. At the end of the financial period Richter had only a single open transaction, an interest rate swap transaction, that was fair valued. The fair value of this transaction is HUF 249 million loss.

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

The Company has no forward transactions accountable for hedge according to IAS 39. The forward transactions are presented at fair value, based on forward rates provided by the commercial banks.

In the Consolidated Financial Statements of financial year 2010, the Group has presented the deferred contingent purchase price of PregLem depending on achievement of certain milestones, on a discounted probability weighted amount.
Contingent liabilities arising from the acquisition of PregLem have been recalculated as of 31 December 2011 at their present value resulting in a charge of HUF 4,493 million (EUR 16.1 million) as a result of the unwinding of the discounted value.

In November 2010 Gedeon Richter Plc. signed an agreement for 5 year period, EUR 150 million club credit facility, which has been called and presented as borrowings in the financial statements. In June 2011 Gedeon Richter Plc. and the European Investment Bank (EIB) signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period. EUR 50 million credit installment has been drawn down by the balance sheet date, in December 2011. These bank loans presented as Borrowings which are described in Note 30. The year end foreign exchange translation difference of these credits was HUF 5,504 million loss in 2011 and HUF 38 million gain in 2010.

Since there was significant fall in the fair value of Zao Firma CV Protek HUF 4,194 million impairment has been recorded in 2011.

8. INCOME TAX EXPENSE

TAX CREDIT

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

Pursuant to Section 21 (11) of Hungarian Corporate Income Tax act, taxpayers may claim the entire amount of tax as an investment tax relief for manufacturing projects with a value of at least HUF 10 billion that are started up after 31 December 1996 for a period of 10 years following start-up, last with respect to the tax base of 2011. There are two criteria for eligibility for the tax relief:

- the value of assets purchased under the manufacturing projects may not drop below HUF 10 billion in the years of tax relief,
- Pursuant to Subsection 21 (12) of CIT, the tax relief set forth in Subsection (11), even if the conditions defined therein are satisfied, may be taken advantage in the second tax year following the commissioning of the investment project and in subsequent tax years only in those tax years during which the annual average number of staff employed by the taxpayer exceeds by at least 500 persons the average number of staff employed in the tax year preceding commencement of the investment project.

Construction value remaining above HUF 10 billion

	HUFm
on 31 December 2003	13,644
Value of correction items for tax relief purposes 2004-2011	(512)
CAPEX value qualifying for tax relief on 31 December 2011	**13,132**

Excess headcount obligation

Actual figures	1999	2005	2006	2007	2008	2009	2010	2011
Average headcount of employees	4,579	5,801	5,923	6,181	6,228	5,994	6,112	6,487
Additional headcount	-	1,222	1,344	1,602	1,649	1,415	1,533	1,908

The Group assessed this tax credit to be an investment tax credit and applied the initial recognition exemption stated in IAS 12.24 and did not recognise any deferred tax in connection with these assets. Please also see Note 17 on Income taxes and in 3.2 Critical judgements in applying entities accounting policies.

Current corporate tax rates at the Parent Company and at the three most significant subsidiaries are as follows:

Parent Company*	19%
Romania	16%
Russia	20%
Poland	19%

* The effective corporate tax rate in Hungary is 19% from 1 January 2010. Law on Corporate and dividend taxes has been modified, and from 1 July, 2010 the tax rate is 10% up to HUF 500 million of the positive tax base, above that tax base the rate of corporate tax is 19%. At the end of 2010 the Income tax Act has been amended that from 2013 the entire profit will be taxed at a flat 10% rate. The Group has determined its deferred tax balance with this assumption. In November 2011, the tax law was changed by Parliament further so that instead of an universal 10% corporate tax rate, the 19% rate remains effective from 2013 on the annual tax base exceeding HUF 500 million.

The Group discloses the Hungarian local business tax and innovation fee as income taxes as we have established that these taxes have the characteristics of income taxes rather than operating expenses.

	2011	2010
	HUFm	HUFm
Domestic*	218	(34)
Foreign	(803)	(1,143)
Local business tax	(2,914)	(3,148)
Current tax	**(3,499)**	**(4,325)**
Deferred tax (17)	3,380	1,189
Income tax	**(119)**	**(3,136)**

* The National Tax and Customs Administration performed a thorough revision at the Parent Company in respect of the financial years 2006, 2007 and 2008. This revision ended the second level of the decision on 13 July, 2011. Tax authority determined HUF 116 million tax difference in favour of the Parent Company and Richter claimed further HUF 124 million solidarity tax for 2009.

Tax rate reconciliation

	2011	2010
	HUFm	HUFm
Profit before income tax	**49,671**	**67,776**
Tax calculated at domestic tax rates applicable to profits in the respective countries	8,554	12,739
Tax effects of:		
Benefit of utilising investment tax credit at Parent	(12,505)	(11,090)
Associates results reported net of tax	705	(9)
Income no subject to tax	(106)	(21)
Expense not deductible for tax purposes	815	533
Expense eligible to double deduction*	(3,425)	(2,508)
Tax loss for which no deferred income tax has been recognised**	4,139	88
Local business tax presented as income tax	2,914	3,148
Self-revision of solidarity tax at Parent	(240)	-
Derecognising deferred tax liability as change of tax status of assets	(476)	-
Re- measurement of deferred tax due to change in tax law - Hungary	(256)	256
Tax charge	**119**	**3,136**

* These expenditures can be deducted twice from the current year's result to get the taxable profit (qualifying R&D expenses).
** The tax loss for which no deferred tax asset has been recognised are mainly related to the unused tax loss of PregLem at cantonal level, which is presented in more details in Note 17.

The average effective tax rate calculated on the basis of the current tax is 7.0% and 0.2% calculated with deferred tax, in 2010 these rates were 6.4% and 4.6%.

Development tax credit in relation to investments from 2012 onwards:

In 2011 the biotechnology investment was completed and capitalized in Debrecen. In the 2012 tax year the Parent Company will benefit from the development tax credit utilization pursuant to Section 22/B of Hungarian Corporate Income Tax act.
There are some criteria for eligibility for the tax relief:

- the value of investment is to be at least HUF 3 billion,
- installed assets shall be kept for 5 years in the beneficiary region and
- during this period, the number of staff employed shall exceed that of the tax year preceding the investment project by at least 75 people.

The Group assesses that the amount of investment is the only substantial criteria in relation to the tax credit, therefore the Group assessed this tax credit to be an investment tax credit and applied the initial recognition exemption stated in IAS 12.24 and did not recognise any deferred tax in connection with these assets.

9. CONSOLIDATED EARNINGS PER SHARE

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

EPS (basic)

	2011	2010
Net consolidated profit attributable to owners of the parent (HUFm)	49,380	64,479
Weighted average number of ordinary shares in issue (thousands)	18,601	18,616
Basic earnings per share (HUF)	**2,655**	**3,464**

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

EPS (diluted)

	2011	2010
Net consolidated profit attributable to owners of the parent (HUFm)	49,380	64,479
Weighted average number of total shares outstanding (thousands)	18,637	18,637
Diluted earnings per share (HUF)	**2,649**	**3,460**

10. FINANCIAL INSTRUMENTS

Financial instruments in the Balance Sheet include loans receivable, investments, trade receivables, other current assets, cash and cash equivalents, short-term and long-term borrowings, trade and other payables.

	Notes	Carrying value		Fair value	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
		HUFm	HUFm	HUFm	HUFm
Financial assets*					
Available for sale investments carried at fair value					
Investments	16	4,232	12,639	4,232	12,639
Investments in securities**	23	11,752	20,285	11,752	20,285
Held to maturity investments carried at amortised cost					
Investments	16	10,106	5,639	8,899	5,639
Loans and receivables carried at amortised cost					
Loans receivable	18, 22	4,811	3,966	4,811	3,966
Trade receivables	21	103,487	85,602	103,487	85,602
Other current assets	22	1,567	1,642	1,567	1,642
Cash and cash equivalents	24	118,651	75,600	118,651	75,600
Financial assets carried at fair value through profit or loss					
Foreign exchange forward contracts	22	-	74	-	74
Current		**236,196**	**184,476**	**236,196**	**184,476**
Non-current		**18,410**	**20,971**	**17,203**	**20,971**
Financial liabilities					
Liabilities carried at amortised cost					
Borrowings	30	164	21	164	21
Trade payables	27	41,016	32,370	41,016	32,370
Other payables and accruals	28	57,488	21,389	57,488	21,389
Financial liabilities carried at fair value through profit or loss					
Foreign exchange forward contracts	28	249	-	249	-
Current		**98,917**	**53,780**	**98,917**	**53,780**
Borrowing	30	62,226	41,694	62,226	41,694
Other non-current liability	31	9,708	37,730	9,708	37,730
Non-current		**71,934**	**79,424**	**71,934**	**79,424**

* All financial assets are free from liens and charges.
** The fair valuation of securities was based on bank data supply.
– Level 1: in 2011 HUF 9,572 million (in 2010 HUF 18,512 million)
– Level 2: in 2011 HUF 2,180 million (in 2010 HUF 1,773 million)

Financial risk management

During the year Richter Gedeon Plc. has identified its relevant financial risks that is continously monitored and evaluated by the management of the Company. The Group focuses on capital structure, foreign currency related-, credit and collection related- and liquidity risk.

I.) CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of net debt (borrowings as detailed in Notes 30 and 24 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
The Group is also monitoring the individual entities to meet their statutory capital requirements.

The capital risk of the Group was still limited in 2011, since the Net cash shows surplus in the balance sheet. In November 2010 Gedeon Richter Plc. signed an agreement for 5 year period, EUR 150 million club credit facility, which has been called and presented as borrowings in the financial statements. Within the range of that, Richter adopted the monitoring some capital risk ratios.

In June 2011 Gedeon Richter Plc. and the European Investment Bank (EIB) signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period. This agreement has as its aim the financing during the period of 2011-2014 of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of bio similar products. The total amount of the credit facility is to be utilised in several tranches within 18 months from the signing of the agreement. EUR 50 million credit instalment has been drawn down by the balance sheet date, in December 2011.

The gearing at end of the reporting period was as follows:

	31 December 2011	31 December 2010
	HUFm	HUFm
		Restated*
Borrowings (Note 30)	62,390	41,715
Less: cash and cash equivalents (Note 24)	(118,651)	(75,600)
Net debt	**(56,261)**	**(33,885)**
Total equity*	489,968	442,115
Total capital	**433,707**	**408,230**
EBITDA**	85,445	83,799
Net debt to EBITDA ratio	**(0.66)**	**(0.40)**
Net debt to equity ratio	**(0.11)**	**(0.08)**

* Restatement in connection with intangible assets (ESMYA®), (Note 40).
** EBITDA has been determined in line with the credit agreement as operating profit increased by dividend income and depreciation and amortization expense.

	2011	2010
	HUFm	HUFm
Profit from operations	60,927	62,653
Depreciation	24,459	21,135
Dividend income	59	11
EBITDA	**85,445**	**83,799**

The Group is in compliance with the ratios stated as covenants both in the club credit facility agreement and the EIB credit line agreement.

II.) FOREIGN CURRENCY RISK

The Group performs significant transactions in currencies other than the functional and the presentation currency, therefore faces the risk of currency rate fluctuation. To mitigate foreign currency risk, management regularly concludes forward foreign currency transactions.

Foreign exchange sensitivity of actual costs:

The Group does business in a number of regions, and countries with different currencies. The most typical foreign currencies are the EUR and US$ and from 2011 the scope of these currencies extended with the PLN, RON, RUB and CHF. The calculation of exposure to foreign currencies is based on these six currencies.

The foreign currency risk management calculation is based on the balances exposed to exchanges of foreign currencies of the Parent Company and the four principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem), which perform pharmaceutical activity. The items of the other consolidated companies have minimal foreign currency exposure as they are performing mainly wholesale and retail activity. The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates.

The table below presents the effect of the change in the average foreign currency rate on the operating profit and on the profit for the year.

2011	Exchange rates							Effect on operating profit	Effect on profit for the year
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm	HUFm
103.6%	**290.0**								
		210.0	1.38	70.0	68.0	7.0	235.0	4,234	4,162
		201.0	1.44	67.8	65.9	6.8	226.9	1,014	1,076
		190.0	1.53	65.5	63.5	6.6	220.0	(3,185)	(3,055)
100.0%	**280.0**								
		210.0	1.33	70.0	68.0	7.0	235.0	3,220	3,087
		201.0	1.39	67.8	65.9	6.8	226.9	0	0
		190.0	1.47	65.5	63.5	6.6	220.0	(4,198)	(4,131)
96.4%	**270.0**								
		210.0	1.29	70.0	68.0	7.0	235.0	2,207	2,011
		201.0	1.34	67.8	65.9	6.8	226.9	(1,014)	(1,076)
		190.0	1.42	65.5	63.5	6.6	220.0	(5,212)	(5,207)

2010	Exchange rates			Effect on operating profit
	EUR/HUF	US$/HUF	EUR/US$	HUFm
103.3%	285.0			
		200.0	1.43	363
		209.9	1.36	2,218
		220.0	1.30	4,111
100.0%	275.8			
		200.0	1.38	(1,855)
		209.9	1.31	0
		220.0	1.25	1,893
96.1%	265.0			
		200.0	1.33	(4,459)
		209.9	1.26	(2,604)
		220.0	1.20	(711)

Based on the yearly average currency rate sensitivity analysis of 2011 the combination of weak Hungarian Forint (with rate of 290 EUR/HUF) and strong US$ (with rate of 1.38 EUR/US$) – by 70 PLN/HUF, 68 RON/HUF, 7 RUB/HUF and 235 CHF/HUF- would have caused the largest growth (in the amount of HUF 4,234 million) on the Group's consolidated operating profit. The greatest decrease (HUF 5,212 million) would have been caused by the combination of exchange rates of 270 EUR/HUF, 190 US$/HUF, 65.5 PLN/HUF, 63.5 RON/HUF, 6.6 RUB/HUF and 220 CHF/HUF.

Currency sensitivity of balance sheet items:

Currency sensitivity analysis of balance sheet items is applied to third parties receivables, payables and bank accounts in foreign currency, considering that items of related parties are eliminated during consolidation. The calculation is based on the items of the Parent Company and the four principal subsidiaries (GR Polska, GR Romania, GR RUS, PregLem). The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates.
The calculation is based on balance sheet date exchange rates.

The table below presents the effect of the change in the year end currency rate on the net financial position.

2011	Exchange rates							Effect on net financial position
	EUR/HUF	US$/HUF	EUR/US$	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	HUFm
103.6%	322.2							
		249.3	1.29	73.0	74.6	7.7	265.0	1,695
		240.7	1.34	70.5	72.1	7.5	255.9	(50)
		232.1	1.39	68.0	69.5	7.2	246.8	(1,963)
100.0%	311.1							
		249.3	1.25	73.0	74.6	7.7	265.0	1,745
		240.7	1.29	70.5	72.1	7.5	255.9	0
		232.1	1.34	68.0	69.5	7.2	246.8	(1,913)
96.4%	300.0							
		249.3	1.20	73.0	74.6	7.7	265.0	1,794
		240.7	1.25	70.5	72.1	7.5	255.9	50
		232.1	1.29	68.0	69.5	7.2	246.8	(1,864)

2010	Exchange rates			Effect on net financial position
	EUR/HUF	US$/HUF	EUR/US$	HUFm
103.3%	286.9			
		219.0	1.31	1,064
		208.9	1.37	1
		199.0	1.44	(1,041)
100.0%	277.7			
		219.0	1.27	1,063
		208.9	1.33	0
		199.0	1.40	(1,042)
96.1%	266.9			
		219.0	1.22	(1,062)
		208.9	1.28	(1)
		199.0	1.34	(1,043)

The worst case scenario is when EUR strengthens and US$, PLN, RON, RUB, CHF weaken against HUF. In this case the consolidated financial result would decrease by HUF 1,963 million.

The best case scenario is when EUR weakens and US$, PLN, RON, RUB, CHF would strengthen against HUF. In this case the consolidated financial result would increase by HUF 1,794 million.

III.) CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

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

Regions	Trade receivables secured by 31 December 2011	Type of security		
		Credit insurance	Bank guarantee	L/C
	HUFm	HUFm	HUFm	HUFm
CIS	28,043	27,812	231	-
EU	869	-	869	-
USA	-	-	-	-
Other	776	413	96	267
Total	**29,688**	**28,225**	**1,196**	**267**

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

The credit rating of the four most significant bank's as of 31 December 2011 based on Standard and Poor's international credit rating institute are the followings:

	2011	2010
BNP Paribas SA	AA-	AA
MKB Bank Zrt.	B	BB
ING Bank N.V	A+	A+
Raiffeisen Bank Zrt.	A-	A-

The Group holds more than 76% of its cash and cash equivalents in 2011 (more than 65% in 2010) in the above mentioned financial institutes.

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

IV.) LIQUIDITY RISK

Cash flow forecasting is performed in the operating entities of the Group. These forecasts are updated on a monthly basis based on actual data. All amounts presented in cash-flow statement are in line with actual numbers of general ledgers. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach covenants. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities.

	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
		HUFm	HUFm	HUFm	HUFm	HUFm
At 31 December 2011						
Other financial asset		-	465	486	11,050	4,269
Loans receivable		135	640	419	4,275	266
Investments in securities		2,336	7,769	2,420	-	-
Cash and cash equivalents	24	118,651	-	-	-	-
Borrowings		531	1,511	1,896	55,274	11,213
Trade payables	27	39,200	1,601	215	-	-
Other non-current liabilities		-	-	60	9,648	-
Other liabilities		60,717	-	-	-	-
Net balance		**20,674**	**5,762**	**1,154**	**(49,597)**	**(6,678)**
At 31 December 2010						
Other financial asset		12,639	244	277	6,069	61
Loans receivable		100	1,173	50	2,510	243
Investments in securities		5,465	10,106	4,145	600	-
Cash and cash equivalents	24	75,600	-	-	-	-
Borrowings		282	783	1,076	44,185	-
Trade payables	27	30,837	1,442	91	-	-
Other non-current liabilities		-	6,579	33,984	13,997	54
Other liabilities		14,559	1,838	-	-	-
Net balance		**48,126**	**881**	**(30,679)**	**(49,003)**	**250**

We have classified the investments without maturity to the 'over 5 years' category, since the management of the Group is not planning to sell these assets within 5 years.

The cash flows of the Investments in securities contain the expected interest and the principal amount as well.

The Cash and cash equivalents has been classified to the 'less than 3 months' category.

The Other non-current liabilities and Other liabilities contain the purchase price of PregLem, which are related to the achievements of specific milestones. These payments have been categorized based on the expected date of the payments.

11. PROPERTY, PLANT AND EQUIPMENT, AND OTHER INTANGIBLE ASSETS

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
GROSS VALUE				
at 31 December 2009	**104,144**	**165,403**	**12,315**	**281,862**
Translation differences	1,348	1,310	96	**2,754**
Effect of newly acquired companies	81	152	-	**233**
Capitalization	2,591	8,966	(11,557)	**-**
Transfers and capital expenditure	189	201	19,450	**19,840**
Disposals	(334)	(5,020)	(107)	**(5,461)**
at 31 December 2010	**108,019**	**171,012**	**20,197**	**299,228**
ACCUMULATED DEPRECIATION				
at 31 December 2009	**21,305**	**118,194**	**-**	**139,499**
Translation differences	208	654	-	**862**
Effect of newly acquired companies	29	90	-	**119**
Current year depreciation	3,017	15,156	-	**18,173**
Net foreign currency exchange differences	3	9	-	**12**
Impairment	-	-	-	**-**
Disposals	(176)	(3,935)	-	**(4,111)**
at 31 December 2010	**24,386**	**130,168**	**-**	**154,554**
NET BOOK VALUE				
at 31 December 2009	**82,839**	**47,209**	**12,315**	**142,363**
at 31 December 2010	**83,633**	**40,844**	**20,197**	**144,674**
Gross value				
at 31 December 2010	**108,019**	**171,012**	**20,197**	**299,228**
Translation differences	2,248	1,878	112	**4,238**
Effect of newly acquired companies	1,243	225	6	**1,474**
Capitalization	17,611	19,533	(37,144)	**-**
Transfers and capital expenditure	-	239	26,624	**26,863**
Transfer to Investment property	-	-	(345)	**(345)**
Disposals	(1,357)	(3,511)	(21)	**(4,889)**
at 31 December 2011	**127,764**	**189,376**	**9,429**	**326,569**
ACCUMULATED DEPRECIATION				
at 31 December 2010	**24,386**	**130,168**	**-**	**154,554**
Translation differences	379	1,149	-	**1,528**
Effect of newly acquired companies	147	155	-	**302**
Current year depreciation	3,065	14,329	-	**17,394**
Net foreign currency exchange differences	82	235	-	**317**
Impairment	-	-	-	**-**
Disposals	(282)	(2,874)	-	**(3,156)**
at 31 December 2011	**27,777**	**143,162**	**-**	**170,939**
NET BOOK VALUE				
at 31 December 2010	**83,633**	**40,844**	**20,197**	**144,674**
at 31 December 2011	**99,987**	**46,214**	**9,429**	**155,630**

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

	Rights	Intellectual property	ESMYA®	Total
	HUFm	HUFm	HUFm	HUFm
			Restated*	Restated*
GROSS VALUE				
at 31 December 2009	**16,729**	**3,519**	**-**	**20,248**
Translation differences	94	235	-	**329**
Effect of newly acquired companies**	-	3,000	71,270	**74,270**
Capitalization	68,062	1,276	-	**69,338**
Transfers and capital expenditure	3,710	3	-	**3,713**
Disposals	(315)	(183)	-	**(498)**
at 31 December 2010*	**88,280**	**7,850**	**71,270**	**167,400**
ACCUMULATED DEPRECIATION				
at 31 December 2009	**8,253**	**673**	**-**	**8,926**
Translation differences	17	19	-	**36**
Effect of newly acquired companies	-	110	-	**110**
Current year depreciation	2,701	261	-	**2,962**
Net foreign currency exchange differences	3	(1)	-	**2**
Impairment	312	-	-	**312**
Disposals	(61)	(70)	-	**(131)**
at 31 December 2010	**11,225**	**992**	**-**	**12,217**
NET BOOK VALUE				
at 31 December 2009	**8,476**	**2,846**	**-**	**11,322**
at 31 December 2010*	**77,055**	**6,858**	**71,270**	**155,183**
Gross value				
at 31 December 2010	**88,280**	**7,850**	**71,270**	**167,400**
Translation differences	472	667	10,160	**11,299**
Effect of newly acquired companies	1	1	-	**2**
Capitalization	4,339	1,329	-	**5,668**
Transfers and capital expenditure	1,116	18	-	**1,134**
Disposals	(520)	(549)	-	**(1,069)**
at 31 December 2011	**93,688**	**9,316**	**81,430**	**184,434**
ACCUMULATED DEPRECIATION				
at 31 December 2010	**11,225**	**992**	**-**	**12,217**
Translation differences	14	57	-	**71**
Effect of newly acquired companies	1	1	-	**2**
Current year depreciation	6,829	236	-	**7,065**
Net foreign currency exchange differences	26	10	-	**36**
Impairment	198	-	-	**198**
Disposals	(105)	(170)	-	**(275)**
at 31 December 2011	**18,188**	**1,126**	**-**	**19,314**
NET BOOK VALUE				
at 31 December 2010	**77,055**	**6,858**	**71,270**	**155,183**
at 31 December 2011	**75,500**	**8,190**	**81,430**	**165,120**

* Restatement in connection with intangible assets (ESMYA®), (Note 40).
** The effect of newly acquired companies line also contains the translation difference of the year of acquisition.

All other intangible assets are free from liens and charges.

Impairment test – as it is described in Note 19 Goodwill - was performed on the value of Intangible assets and as a consequence to that we had to account for HUF 198 million net as impairment loss related to some of the Romanian retail companies in 2011 and HUF 312 million in 2010.

The most significant other intangible, which has been recorded as R&D asset is representing ESMYA® recognised in the acquisition transaction of PregLem (see Note 36) was accounted as Intangible with 25 years useful life. The amortisation of this asset will start after the completion of registration, from the first sale of ESMYA®.

The products right acquired from Grünenthal (presented as capitalisation in 2010) containing manufacturing rights (amounted to EUR 600 thousand) and market authorisation (amounted to EUR 235.9 million) together with the value of the established products brand are presented as right. The estimated useful life for both rights is 15 years (for more details please see Note 36). The amortisation period started in 2010. Accordingly the net assets of the right in relation to Grünenthal is HUF 64,993 million in 2010 and HUF 60,645 million in 2011.

12. INVESTMENT PROPERTY

A real estate property, located in Budapest is accounted for as investment property owned by Medimpex Irodaház Kft. This company is a joint venture with EGIS Plc. in 50-50%.
Subsequent to initial recognition, investment properties are measured at fair value.

Book value of investment property:

	Investment property
	HUFm
Fair value	
at 1 January 2010	**769**
Capitalization	-
Fair value adjustment	237
at 31 December 2010	**1,006**
Capitalization	345
Fair value adjustment	28
at 31 December 2011	**1,379**

The Discounted Cash Flow method is used for calculation of investment property's fair value.
A fair valuation of the investment property was carried out by the Company's professionals using discounted cash flow method. The timeframe of the calculation was ten years, the discount rate as at 31 December 2011 and 2010 was 8.50 % and 7.30 %, respectively. The model also has taken into account a residual value after the 10 years' period based on market information.

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

	2011	2010
	HUFm	HUFm
Income from renting real estate	173	168
Operating expenses	57	63
Net balance	**116**	**105**

13. CONSOLIDATED COMPANIES

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

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2011	2010	2011	2010	
ZAO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing
Gedeon Richter Romania S.A.	Romania	99.87	99.85	99.87	99.85	Pharmaceutical manufacturing
Gedeon Richter Polska Sp. z o.o.	Poland	99.88	99.87	99.88	99.87	Pharmaceutical manufacturing
Richter Themis Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
Gedeon Richter Pharma GmbH	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
Medimpex France S.A.R.L.	France	99.99	99.99	99.99	99.99	Pharmaceutical trading
RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
Gedeon Richter UA V.A.T.	Ukraine	98.16	98.16	98.16	98.16	Pharmaceutical manufacturing
Gedeon Richter UK Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Iberica S.A.	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading
Medimpex Hong Kong Ltd.*	Hong-Kong	-	100.00	-	100.00	Pharmaceutical trading
Nedermed B.V.	The Netherlands	100.00	100.00	100.00	100.00	Pharmaceutical trading
Medimpex Japan Co. Ltd.	Japan	90.90	90.90	90.90	90.90	Pharmaceutical trading
Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
Cito-Trans Kft.	Hungary	100.00	100.00	100.00	100.00	Car rental
Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
Armedica Trading S.R.L.	Romania	99.87	99.85	99.87	99.85	Asset management
Gedeon Richter Farmacia S.A.**	Romania	99.87	99.85	99.87	99.85	Pharmaceutical retail
Pharmanet S.R.L.	Romania	99.87	99.85	99.87	99.85	Pharmaceutical retail
Gedeon Richter France S.A.R.L.	France	99.99	99.66	99.99	99.66	Pharmaceutical retail
Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Richter-Helm BioLogics Co. & KG.	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
Medimpex UK. Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Farnham Laboratories Ltd.	UK	100.00	100.00	100.00	100.00	Pharmaceutical trading
Gedeon Richter Aptyeka sp.O.O.O.	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
Pharmafarm S.A.	Romania	99.87	99.85	99.87	99.85	Pharmaceutical wholesale
Gedeon Richter Ukrfarm O.O.O.	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail
Gedeon Richter Marketing Polska Sp.z o.o.	Poland	99.98	99.97	99.98	99.97	Marketing services
Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical retail
PregLem S.A.***	Switzerland	100.00	100.00	100.00	100.00	Manufacturing and research
Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
Richter-Lambron O.O.O.	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
Pharmarichter O.O.O.	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion

* Medimpex Hong-Kong ceased its operation in October 2011 since the activity of the subsidiary is clearly immaterial therefore it is not presented separately as discontinued operation.

** The former members of the Romanian retail group (Magnolia S.R.L., Pharmaplus S.R.L.) merged into Gedeon Richter Farmacia S.A. in the last quarter of 2011.

*** PregLem Holding S.A. merged into PregLem S.A. in June 2011.

Subsidiaries newly included in the consolidation

Name	Date of establishment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2011	2010	2011	2010	
Richpangalpharma O.O.O.*	07.2011	Moldavia	65.00	49.00	65.00	49.00	Pharmaceutical trading
Gedeon Richter Portugal, Unipessoal Lda.**	03.2011	Portugal	100.00	-	100.00	-	Marketing services
PregLem France SAS**	04.2011	France	100.00	-	100.00	-	Marketing services
Pesti Sas Patika Bt.*	01.2011	Hungary	74.00	74.00	50.00	50.00	Pharmaceutical retail
Gedeon Richter Slovenija, trženje, d.o.o.**	11.2011	Slovenia	100.00	-	100.00	-	Marketing services

* Pesti Sas Patika Bt. was fully consolidated in 2011 (in 2010 it was a joint ventures company). The impact of business participation revaluation in connection with Pesti Sas Patika Bt. is not significant. Increase of ownership in Richpangalpharma O.O.O. are described separately in Note 36.
** Newly established.

14. JOINT VENTURES

The Group had the following interests in joint ventures:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		2011	2010	2011	2010	
Medimpex Irodaház Kft.	Hungary	50.00	50.00	50.00	50.00	Renting real estate
Westpharma S.R.L.*	Romania	-	49.85	-	50.00	Informatics services
Richter-Helm BioTec Management GmbH	Germany	50.00	50.00	50.00	50.00	Assets management
Richter-Helm BioTec Co. & KG	Germany	50.00	50.00	50.00	50.00	Trading of biotech products
Gedeon Richter Rxmidas Ltd.	Hong-Kong	50.00	50.00	50.00	50.00	Marketing services

* Parent company of Westpharma S.R.L. was Armedica Trading S.R.L. (controlled by the Parent Company) holding 50% ownership and voting right. Sold in October, 2011 (see Note 38). Financial effect of this transaction is clearly immaterial therefore it not presented in more details in Financial Statements.

Joint ventures newly acquired and included in the consolidation

Name	Date of establishment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2011	2010	2011	2010	
Grmidas Medical Service (China) Co.Ltd.*	07.2011	China	50.00	-	50.00	-	Marketing services

* Newly established.

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

	31 December 2011	31 December 2010
	HUFm	HUFm
Current assets	225	2,132
Non-current assets	667	1,059
Short-term liabilities	132	1,470
Long-term liabilities	2,477	1,016
Revenues	291	540
Cost of sales	144	396

In 2010 the balance sheet and income statement items include the figures of Pesti Sas Patika Bt. which was fully consolidated in 2011 and the figures of Westpharma S.R.L. which was sold in 2011.

15. INVESTMENTS IN ASSOCIATED COMPANIES

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

	2011	2010
	HUFm	HUFm
At 1 January	**6,093**	**6,236**
Step up to subsidiary	(403)	(180)
Sale of investment	(1)	(15)
Merge	(4)	-
Acquisition (of associate)	-	2
Increase of share capital	283	1
Establishment (of associate)	-	1
Additional payment	17	-
Share of (loss)/profit*	(4,234)	50
Exchange difference	3	(2)
At 31 December	**1,754**	**6,093**

* Hungaropharma Zrt. is the most significant associated company of the Group which resulted HUF 4,294 million loss in 2011, this amount presented in Consolidated Cash Flow Statement within Non cash items accounted through Comprehensive and Consolidated Income Statement.

Name	Place of incorporation	Principal activity	Assets	Liabilities	Revenues	Profit/(loss)	Interest held
			HUFm	HUFm	HUFm	HUFm	%
2010							
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	69,360	54,420	248,511	(1,523)	30.68
Salvia-Med Bt.	Hungary	Pharmaceutical retail	62	48	499	(9)	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	151	26	498	17	33.00
Gyulai Fodormenta Bt.	Hungary	Pharmaceutical retail	59	18	296	4	20.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	55	45	296	(10)	20.00
Medservice Richter O.O.O.	Kazakhstan	Pharmaceutical trading	46	7	106	(42)	49.00
Richpangalpharma O.O.O.	Moldavia	Pharmaceutical trading	2,495	1,600	4,831	229	49.00
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	472	406	127	48	49.00
Farmacia nr.41.din Telenesti S.R.L.	Moldavia	Pharmaceutical retail	13	11	22	(3)	43.93
Pharmapolis Kft.	Hungary	Building project management	2,089	2,104	-	(16)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	2	0	-	(0.5)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	167	165	-	(1)	24.00
2011							
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	56,116	52,254	254,828	(8,220)	30.68
Salvia-Med Bt.	Hungary	Pharmaceutical retail	56	27	499	15	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	157	24	464	23	33.00
Gyulai Fodormenta Bt.	Hungary	Pharmaceutical retail	85	24	449	23	20.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	56	47	314	(1)	20.00
Medservice Richter O.O.O.	Kazakhstan	Pharmaceutical trading	53	9	-	-	49.00
Vita-Richter O.O.O.	Azerbaijan	Pharmaceutical trading	554	476	-	-	49.00
Pharmapolis Kft.	Hungary	Building project management	5,549	5,576	-	(29)	24.00
Cerorin Kft.	Hungary	Biotechnological research, development	1	0	-	(0.6)	24.00
Pharmatom Kft.	Hungary	Biotechnological research, development	276	261	-	13	24.00

Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.

16. OTHER FINANCIAL ASSETS

	31 December 2011	31 December 2010
	HUFm	HUFm
Held to maturity investments carried at amortised cost	10,106	5,639
Available-for-sale investments carried at fair value	4,232	12,639
Total	**14,338**	**18,278**

The held to maturity investment contains "Exchangeable Bonds" issued by the Hungarian State Holding Company (MNV Zrt.) that has maturity date of 2014. At maturity these bonds might be transferred to Richter shares already in the ownership of MNV Zrt. Group owns "Exchangeable Bonds" in the nominal value of EUR 34 million as of 31 December 2011. (EUR 20 million as of 31 December 2010).

The available-for-sale investments presented among the Other financial assets have not been sold in current year and therefore no amount has been recycled to the Consolidated Income Statement.
The Available-for-sale investment contains 5% ownership in Zao Firma CV Protek valued at fair value based on the closing stock exchange price (0.56 US$/share). Since there was significant fall in the fair value of investment all of the previous year available-for-sale gain (HUF 3,613 million) has been reversed and impairment of HUF 4,194 million has been recorded in 2011.

17. CURRENT INCOME TAX AND DEFERRED TAX

Current tax assets and liabilities

	31 December 2011	31 December 2010
	HUFm	HUFm
Current tax assets	501	164
Current tax liabilities	34	192

Deferred tax is calculated by the liability method based on the temporary differences. Deferred tax assets and liabilities and the deferred tax (charge)/credit in the Consolidated Balance Sheet are included to the following items:

Analysis for financial reporting purposes

	31 December 2011	31 December 2010
	HUFm	HUFm
Deferred tax assets	3,605	1,624
Deferred tax liabilities	(20,357)	(19,680)
Net position at 31 December	**(16,752)**	**(18,056)**

The effective corporate tax rate in Hungary is 19% from 1 January 2010. Law on Corporate and dividend taxes (Law LXXXI (1996)) has been modified, and from 1 July, 2010 the tax rate is 10% up to HUF 500 million of the positive tax base, above that tax base the rate of corporate tax is 19%. At the end of 2010 the Income tax Act has been amended that from 2013 the entire profit will be taxed at a flat 10% rate. The Group has determined its deferred tax balance with this assumption. In November 2011, the tax law was changed by Parliament further so that instead of an universal 10% corporate tax rate, the 19% rate remains effective from 2013 on the annual tax base exceeding HUF 500 million.

The movement in deferred income tax assets and liabilities during the year is as follows:

	Local GAAPs – IFRS differences	Fixed and intangible assets	Provision	Impairment	Other temporary differences	Consolidation adjustments	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
DEFERRED TAX ASSETS							
31 December 2009	**(21)**	**502**	**24**	**27**	**139**	**-**	**671**
Acquisition of subsidiary	1	-	-	-	-	-	1
Charged/(credited) to the income statement	474	28	134	274	(173)	477	1,214
Charged/(credited) to other comprehensive income	-	-	-	-	28	-	28
Exchange differences	(2)	2	1	1	8	-	10
Transfer	-	(29)	(28)	(9)	(234)	-	(300)
31 December 2010	**452**	**503**	**131**	**293**	**(232)**	**477**	**1,624**
Acquisition of subsidiary	-	-	-	-	-	-	-
Charged/(credited) to the income statement	(448)	240	200	45	320	1,217	1,574
Charged/(credited) to other comprehensive income	-	-	-	-	374	-	374
Exchange differences	-	13	5	-	29	-	47
Transfer	-	-	-	-	(14)	-	(14)
31 December 2011	**4**	**756**	**336**	**338**	**477**	**1,694**	**3,605**

	Local GAAPs – IFRS differences	Fixed and intangible assets	Other temporary differences*	Total
	HUFm	HUFm	HUFm	HUFm
DEFERRED TAX LIABILITIES				
31 December 2009	**473**	**231**	**114**	**818**
Acquisition of subsidiary	-	-	18,665	18,665
Charged/(credited) to the income statement	1	1	22	24
Charged/(credited) to other comprehensive income	50	-	361	411
Exchange differences	9	36	17	62
Transfer	-	-	(300)	(300)
31 December 2010	**533**	**268**	**18,879**	**19,680**
Acquisition of subsidiary	-	-	-	-
Charged/(credited) to the income statement	(477)	(120)	(1,209)	(1,806)
Charged/(credited) to other comprehensive income	(51)	-	32	(19)
Exchange differences	8	(14)	2,522	2,516
Transfer	-	-	(14)	(14)
31 December 2011	**13**	**134**	**20,210**	**20,357**

* The most significant deferred tax liability balance presented is in relation to the acquisition of PregLem, where the deferred tax liability that arose as a result of recognition of ESMYA® was partially off set by the unused tax loss of the company available at federal level. As a result of this transaction net deferred tax liability has been presented in the value of HUF 19,910 million in 2011 and HUF 18,665 million in 2010.

In the deferred tax balance presented above, HUF 622 million is expected to reverse after 12 months.

At 31 December 2011 Richter Group has HUF 28,071 million unused tax loss (that would result in HUF 5,714 million deferred tax asset) for which did no deferred tax asset has been accounted, since the recovery is not probable, while in 2010 the Group had HUF 8,839 million unused tax loss (that would have resulted in HUF 1,461 million deferred tax asset).

In 2011 the most of the unused tax loss for which no deferred tax asset has been recognised is in relation to PregLem's unused tax loss at cantonal level. The unused tax loss for which no deferred tax asset has been recognised is expected to expire or be utilised during the period of tax holiday of PregLem.

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

18. LOANS RECEIVABLE

	31 December 2011	31 December 2010
	HUFm	HUFm
Loans given to related parties	3,627	2,283
Loans given to employees	440	408
Other loans given	5	2
Total	**4,072**	**2,693**

19. GOODWILL

	Goodwill
	HUFm
COST	
At 1 January 2010	6,328
Increase from acquisition of subsidiaries	7,532
Deferred tax effect	18,665
Exchange differences	595
At 31 December 2010	**33,120**
At 1 January 2011	33,120
Decrease from sale of subsidiaries	(23)
Deferred tax effect	-
Exchange differences	4,047
At 31 December 2011	**37,144**
IMPAIRMENT	
At 1 January 2010	(3,092)
Impairment charged for the year	(95)
At 31 December 2010	**(3,187)**
At 1 January 2011	(3,187)
Impairment charged for the year	(271)
At 31 December 2011	**(3,458)**
NET BOOK VALUE	
At 31 December 2010	**29,933**
At 31 December 2011	**33,686**

Closing goodwill on Cash Generating Units (Companies)

	31 December 2011	31 December 2010
	HUFm	HUFm
Pharmaceuticals segment		
GR Polska Sp. z o.o.	1,055	1,047
Richter-Helm Biologics Co & KG	99	88
PregLem Group	30,505	26,699
Wholesale and retail segment		
Armedica Trading Group	1,966	2,038
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**33,686**	**29,933**

In 2011 the change in the goodwill balance is mainly related to the increase of exchange rates in compare to the end of prior year. Sale of Westpharma S.R.L. joint ventures company decreased the balance of goodwill by HUF 23 million.

Impairment test was performed on the value of the goodwill.

GEDEON RICHTER POLSKA SP. Z O.O

Gedeon Richter Polska Sp. z o.o achieved significant profit in 2011, and its midterm financial plans further growth is expected of the company. As a result of this no impairment was required at the end of financial year of 2011 similar to 2010.

ARMEDICA TRADING GROUP

The Company has allocated the goodwill to pharmacies and performs the impairment review on group of cash generating units (CGU) level similarly to prior years. Three groups of CGUs have been set up and the pharmacies were categorized into these groups based on their EBITDA. We have assessed the recoverable amount with value in use method considering the economic environment, which did not change significantly in compare to the prior year.

In case the recoverable amount of a pharmacy group is less than its carrying amount, impairment is recorded on the goodwill balance. In the Value in use model we have made estimation on future performance based on historical data and realistic market assumptions on mid and long term timeframe.

Since as a result of prior year impairment tests, the entire goodwill balance have been impaired for the group which contains the pharmacies that achieve the lowest EBITDA, we have focused our impairment review on the developing and well performing groups. As a result of current year impairment test, no further impairment should be recorded in these two groups of CGUs. Each year the performance of the pharmacies is assessed whether they are grouped to the correct category of pharmacies. Based on performance in 2011, three pharmacies could improve its performance and moved out from the lowest EBITDA category, while other three pharmacies achieved significantly less EBITDA, therefore was included in the lowest Category. Impairment has been recorded on the entire amount of goodwill allocated to these later mentioned three pharmacies.

We also performed sensitivity test including the following parameters: Volume of sales, WACC and mark-up. By changing ceteris paribus these factors 10% declining for the volume of sales and WACC and 5% declining for mark-up the following additional impairment would be required.

	HUFm
WACC	69
Net-sales	296
Mark-up	295

PREGLEM GROUP

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe.

The management assessed that no impairment should be charged on the goodwill of PregLem acquisition as of 31 December 2011, since the company's current activity is limited to research and development and pre-marketing activities, which will result in future sales and profit. The company does not perform currently revenue generating activity. The input factors of the impairment review improved significantly compared to the prior year, which is also supported by that in February 2012 the European Commission (EC) has granted marketing authorization to ESMYA®, which is an important confirmation on the future plans of the management. The Richter Group has built up its West European gynaecological business that enhance the expected revenue and profit resulting from the sale of the products of PregLem and enables the Company to perform the market entry with significant cost and revenue synergies.

20. INVENTORIES

	31 December 2011	31 December 2010
	HUFm	HUFm
Raw materials, packaging and consumables	23,821	15,699
Production in progress	1,048	993
Semi-finished and finished goods	38,568	34,965
Total	**63,437**	**51,657**

Inventories include impairment in value of HUF 1,733 million and reversal of impairment in value of HUF 804 million in 2011 (HUF 2,001 million impairment and HUF 793 million reversal was made in 2010).
The reversal of impairment is due to the change of market conditions.
All items of Inventories are free from liens and charges.

21. TRADE RECEIVABLES

	31 December 2011	31 December 2010
	HUFm	HUFm
Trade receivables	84,973	65,238
Amounts due from related companies	18,514	20,364
Total	**103,487**	**85,602**

Trade receivables include HUF 2,499 million impairment and HUF 1,216 million reversal of impairment in 2011 (in 2010 the net of reversal of impairment was HUF 387 million).
The reversal of impairment is explained with the decrease of overdue receivables.

Ageing of Trade receivables

	31 December 2011	31 December 2010
	HUFm	HUFm
Trade receivables not expired	89,138	64,677
Trade receivables overdue, not impaired	11,443	15,427
1-90 days	*10,341*	*14,332*
91-180 days	*809*	*918*
181-360 days	*237*	*154*
>360 days	*56*	*23*
Trade receivables overdue, impaired	9,194	10,127
1-90 days	*2,005*	*3,151*
91-180 days	*516*	*1,795*
181-360 days	*1,629*	*1,652*
>360 days	*5,044*	*3,529*
Impairment on trade receivables	(6,288)	(4,629)
1-90 days	*(200)*	*(347)*
91-180 days	*(26)*	*(452)*
181-360 days	*(1,056)*	*(554)*
>360 days	*(5,006)*	*(3,276)*
Total	**103,487**	**85,602**

Movements on the Group provision for impairment of trade receivables are as follows:

	31 December 2011	31 December 2010
	HUFm	HUFm
At 1 January	**4,629**	**4,883**
Provision for receivables impairment	2,499	2,791
Reversal of impairment for trade receivables	(1,216)	(3,178)
Exchange difference	376	133
At 31 December	**6,288**	**4,629**

The Group has no individually significant impaired trade receivable.

The credit quality is described and assessed in Note 10.

22. OTHER CURRENT ASSETS

	31 December 2011	31 December 2010
	HUFm	HUFm
Loans receivable	739	1,273
Other receivables	1,567	1,642
Fair value of open forward exchange contracts	-	74
Subtotal of financial assets	**2,306**	**2,989**
Tax and duties recoverable	3,447	2,560
Advances	2,185	2,266
Prepayments	2,935	2,670
Total	**10,873**	**10,485**

23. INVESTMENTS IN SECURITIES

	31 December 2011	31 December 2010
	HUFm	HUFm
Treasury bills and government securities	9,572	18,512
Open-ended investment funds	2,156	1,746
Other securities	24	27
Total	**11,752**	**20,285**

All current investments are classified as available for sale. The fair value adjustment was HUF 213 million loss in 2011, and HUF 144 million loss in 2010 recognised in other comprehensive income.

24. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
	HUFm	HUFm
Bank deposits	118,171	75,501
Cash on hand	105	99
Short term government securities	375	-
Total	**118,651**	**75,600**

The fair value adjustment of short term securities amounted HUF 1 million loss in 2011, while in 2010 there was no fair value adjustment.
Those short term securities are treated as cash and cash equivalents which have a maturity period less than 3 months at purchase.

25. SHARE CAPITAL AND RESERVES

	31 December 2011		31 December 2010	
Share capital	**Number**	**HUFm**	**Number**	**HUFm**
Ordinary shares of HUF 1,000 each	18,637,486	18,638	18,637,486	18,638

Detailed ownership structure of the Parent as of 31 December 2011

	Ordinary shares number		Voting rights %		Share capital %	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Domestic ownership	**6,898,705**	**6,863,778**	**37.28**	**36.87**	**37.01**	**36.82**
MNV Zrt.	4,700,370	4,685,785	25.40	25.17	25.22	25.14
Hungarian Pension Reform and Public Debt Reduction Fund	957,021	-	5.17	-	5.13	-
Municipality	100	100	0.00	0.00	0.00	0.00
Institutional investors	596,859	1,737,752	3.23	9.33	3.20	9.32
Retail investors	644,355	440,141	3.48	2.37	3.46	2.36
International ownership	**11,599,041**	**11,741,897**	**62.69**	**63.08**	**62.24**	**63.01**
Retail investors	71,925	102,991	0.39	0.55	0.39	0.55
Institutional investors	11,527,116	11,638,906	62.30	62.53	61.85	62.46
out of which Bank of New York Mellon *	929,512	1,059,034	5.02	5.69	4.99	5.68
out of which Aberdeen Asset M. Plc.	2,503,184	2,840,004	13.53	15.26	13.43	15.24
out of which Skagen Kon-Tiki Verdipapirfond	968,258	-	5.23	-	5.20	-
Undisclosed ownership	**4,791**	**9,837**	**0.03**	**0.05**	**0.03**	**0.05**
Treasury shares**	**134,949**	**21,974**	**0.00**	**0.00**	**0.72**	**0.12**
Share capital	**18,637,486**	**18,637,486**	**100.00**	**100.00**	**100.00**	**100.00**

* The owners are global custodians or nominees acting as global custodians.
** Treasury shares include the combined ownership of the Parent company and subsidiaries. The treasury shares have no voting rights.

Data in the above table were compiled based on the share registry amended with information provided by KELER Zrt. as clearing company, global custodians and nominees.

The Group does not have any ultimate controlling parent. The Hungarian State is having significant influence through the ownership of MNV Zrt.

Foreign currency translation reserves

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Revaluation reserve for available for sale investments

When measuring financial assets available for sale at their fair values the difference shall be recognized in as available for sale investment reserve. It shall be recycled to income statement at the time of disposal or impairment.

	Revaluation reserve for available for sale investments
	HUFm
At 1 January 2010	**474**
Recycled through income statement	(454)
Revaluation gross	3,720
Deferred tax effect	(384)
At 31 December 2010	**3,356**
Recycled through income statement	(71)
Revaluation gross	(3,710)
Deferred tax effect	393
At 31 December 2011	**(32)**

Equity-settled share based payment presented within retained earnings

Equity-settled employee benefits reserve is presented within Retained earnings, therefore current year's effect is shown in the Consolidated Statement of Changes in Equity.
The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Please see more detailed in Note 26 Treasury shares.

	2011	2010
	HUFm	HUFm
Expense recognized in current year	5,186	5,298
Treasury share given	5,099	5,125
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**87**	**173**

26. TREASURY SHARES

It is the intention of the Company to grant Treasury shares to management and employees as part of its remuneration policy. The Company is operating three share based payment programs, described below in more details. From these programs, the individual bonuses and the bonus program vest immediately, while the shares granted under the Finance Ministry program have a vesting condition of employment at the end of the deposit period also described below.

BONUS PROGRAM
Richter operates a bonus share programme since 1996 to further incentive managers and key employees of the Company. In 2011 39,358 shares were granted to 449 employees of the Company while in 2010 28,704 shares were granted to 424 employees.

INDIVIDUAL BONUSES
51,508 ordinary shares were granted to qualified employees as bonuses during the year while 51,040 ordinary shares were granted in 2010.

RECOGNISED STAFF STOCK BONUS PLAN
Pursuant to a programme approved by the Ministry of Finance related to employee share bonuses (Recognised Staff Stock Bonus Plan 2009-2011), the Company granted 48,973 treasury shares to 4,760 employees. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2014. In 2010 38,629 shares were granted to 4,537 employees deposited on their accounts until 2 January 2013.

The AGM held on 27 April 2011 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 206,374 treasury shares at the Budapest Stock Exchange during the year, and a further 45,667 shares on the OTC market.

	Ordinary shares
Number of shares	
at 31 December 2010	**21,974**
Out of these, number of shares owned by subsidiaries	*10,550*
Share purchase	252,041
Issued as part of bonus program	(39,358)
Individual bonuses	(51,508)
Granted pursuant to the Finance Ministry-approved plan	(48,973)
Granted pursuant to the Finance Ministry – repurchased	773
at 31 December 2011	**134,949**
Out of these, number of shares owned by subsidiaries	*10,550*
Book value	**HUFm**
at 31 December 2010	**539**
Share purchase	9,074
Issued as part of bonus program	(1,502)
Individual bonuses	(1,859)
Granted pursuant to the Finance Ministry-approved plan	(1,767)
Granted pursuant to the Finance Ministry – repurchased	28
at 31 December 2011	**4,513**

27. TRADE PAYABLES

	31 December 2011	31 December 2010
	HUFm	HUFm
Trade payables	40,893	32,359
Amount due to related companies	123	11
Total	**41,016**	**32,370**

28. OTHER PAYABLES AND ACCRUALS

	31 December 2011	31 December 2010
	HUFm	HUFm
Accruals	6,522	4,992
Other liabilities	50,966	16,397
Fair value of open forward exchange contracts	249	-
Subtotal of financial liabilities	**57,737**	**21,389**
Wages and payroll taxes payable	3,343	4,201
Dividend payable	123	107
Deposits from customers	819	1,412
Accrual for costs of share options and other bonuses	267	189
Total	**62,289**	**27,298**

As announced at 6 October 2010, Gedeon Richter Plc. acquired a 100% ownership in PregLem. The transaction values PregLem at up to CHF 445 million provided certain milestones are achieved, with the consideration to be settled in cash. PregLem shareholders received CHF 150 million in cash upfront and further milestone payments of up to CHF 295 million will be paid assuming achievement of all milestone targets, out of which in 2011 CHF 65 million was settled as milestone payment.

A part of this deferred purchase price is presented as Other liability in the Consolidated Balance Sheet. In 2011 the main item contributing to the increase of Other short-term liabilities is the next instalment of PregLem's purchase price which amounted to HUF 42,328 million. This item was included in the Consolidated Cash Flow Statement as Non cash items accounted through Comprehensive and Consolidated Income Statement.

29. PROVISIONS

	31 December 2011	31 December 2010
	HUFm	HUFm
Other provisions	1,020	691
Provision for retirement liabilities	1,503	1,486
from this retirement benefit plans at the Parent (Note 29.1)	*804*	*960*
from this retirement benefit plans at GR Polska (Note 29.2)	*167*	*151*
Total	**2,523**	**2,177**

29.1 RETIREMENT BENEFIT PLANS AT THE PARENT

Actuarial valuation related to retirement benefit plans

PARENT COMPANY

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

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

THE VALUATION METHOD

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

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

RESULTS

	2011	2010
	HUFm	HUFm
Opening value of retirement benefit	1,045	966
Interest costs and current service costs	92	116
Actuarial gains and benefits payments	(333)	(37)
Retirement benefit	**804**	**1,045**
Amortisation of non-recognised past service costs	85	99
Interest cost	51	55
Current service costs	41	61
Pension costs	**177**	**215**
Opening value of provision	960	776
Benefits paid (release of provision) and actuarial gains	(333)	(31)
Current year provision	177	215
Closing value of provision	**804**	**960**
Non-recognised past service cost	**-**	**85**

The principal actuarial assumptions were as follows:

The estimation was perfomed based on the assumption that the employees will have a yearly increase in their wages 1% exceeding the inflation until their retirement similar to 2010.

Discount rate

The estimation is based on auction gain of Hungarian government securities (source Bloomberg).

For the years where auction gain data is provided this data was the base of the calculation. For the remaining (interim) period the discount rate has been determined with linear interpolation using 4% for 30 years and 3.4% for 40 years maturity for periods exceeding 15 years.

Assumptions regarding the benefit plans

According to these statistics the following probabilities were used:

PROBABILITY OF RESIGNING THE COMPANY BEFORE RETIREMENT (2008-2011)

Term of employment 2011	Ages 2011		
	<30	30-45	45<
between 0 – 1 year	60.0%	50.0%	40.0%
between 1 - 5 years	60.0%	45.0%	25.0%
between 6 - 14 years	40.0%	30.0%	16.0%
between 15 - 29 years	0.0%	16.0%	14.0%
between 30 - 44 years	0.0%	3.0%	17.0%
over 45 years	0.0%	0.0%	1.0%

PROBABILITY OF RESIGNING THE COMPANY BEFORE RETIREMENT IN 2010

Term of employment 2010	Ages 2010		
	<30	30-45	45<
between 0 – 1 year	61.7%	55.1%	41.2%
between 1 - 5 years	56.0%	45.1%	27.2%
between 6 - 14 years	41.9%	32.3%	15.7%
between 15 - 29 years	0.0%	16.3%	13.5%
between 30 - 44 years	0.0%	5.0%	15.3%
over 45 years	0.0%	0.0%	1.9%

The probability of resigning has been split to ages of employees.

29.2 RETIREMENT BENEFIT PLANS AT GR POLSKA

Amongst the subsidiaries of the Richter Group, only Gedeon Richter Polska Sp. z o.o. accounts pension related benefits as provision set forth in the articles of the Union Agreement. Expenses allocated to pension related provision amounted to HUF 167 million on 31 December 2011 when compared to HUF 151 million reported on 31 December 2010.

According to Collective Labour Agreement of Gedeon Richter Polska Sp. z o.o. there is retirement benefit obligation which is described in details below:

Years of tenure	Amount to be paid as the percentage of the basis	
	2011	2010
after 10 years	50%	50%
after 15 years	100%	100%
after 20 years	150%	150%
after 25 years	200%	200%
after 30 years	250%	250%
after 35 years	300%	300%
after 40 years	350%	350%

Amounts recognized in the balance sheet on 31 December 2011

	2011	2010
	HUFm	HUFm
Present value of the obligations	**167**	**151**
Liabilities recognised in the balance sheet	**167**	**151**
Current service costs	9	8
Interest costs	8	9
Net actuarial losses recognised in year	7	1
Expenses recognised in the income statement	**24**	**18**

Technical assumptions and principles of calculation

Parameters having a significant impact on the value of defined benefit obligations are the following:

- rate of staff turnover
- interest rate
- salary increase rate

STAFF TURNOVER

The rate of mobility is based on historical data provided by RGPL. According to this data the rate of turnover of staff at GR Ploska is low and we assume that it will remain at this level in the future.
Under the adopted assumptions the expected rate of mobility will amount to 4.4% (in 2010 4.7%), which means that – according to the model - the employment of approximately 20 persons (in 2010 21 persons) will be terminated (natural mobility).
Theoretical number and structure of these employees:

Age	Men	Women	Men	Women
	2011		2010	
18 - 30	2	3	1	3
31 – 40	4	6	4	7
41 – 50	1	2	2	2
51 - 60	1	1	1	1
61 -	0	0	0	0

The mobility rate in the following years is assumed to be approximately on the same level (there might be changes due to the evolution of age structure of the employees).

OTHER ACTUARIAL ASSUMPTIONS

The source of death probabilities is the Central Statistical Office (the data can be found in the internet at www.stat.gov.pl).

FINANCIAL ASSUMPTIONS

The following financial assumptions have been adopted in the calculations for both 2010 and 2011:

- assumed rate of inflation amounts to 2.5% annually (according to monetary policy objectives assuming stabilisation of inflation rate at 2.5% with a possible fluctuation of +/- 1 percentage point).
- nominal rate of discount has been assumed to be equal to 5.5% annually (meaning real discount rate being equal to around 3.0%).
- salary increase rate has been assumed to be equal to 3.5% annually (1.0% above inflation). According to IAS 19 outlines, evaluation of future salaries takes into account the rate of inflation, years of service and employee's future promotions.
- he calculations have been performed in the Polish currency (PLN) and translated into Hungarian Forint (HUF) using the exchange rate prevailing on the balance sheet date.

Methodology of calculation

The calculation of defined benefit obligations has been performed for present employees of Gedeon Richter Polska sp. z o.o. and does not concern those who will be employed in the future. It is based on the projected unit credit method.
According to this method each period of employment gives right to an additional unit of future employee benefits and each of these units is calculated separately. It is assumed that the salary of each employee will grow as assumed in the previous chapters.
The calculation of disability benefit obligations consists of determining the actuarial present value of benefits basing on data as on the day of calculation.

30. BORROWINGS

The credits are not secured by registered mortgages on real estates and inventories.

	31 December 2011	31 December 2010
	HUFm	HUFm
Long-term borrowings	62,226	41,694
Short-term borrowings	164	21
Total	**62,390**	**41,715**

The long-term borrowing contains club credit facility of EUR 150 million taken in November 2010 by Gedeon Richter Plc. for 5 year period. The purpose of this facility is to finance general objectives of the Parent Company. The club comprises ING Bank Zrt, Raiffeisen Bank Zrt and K&H Bank Zrt.

In June 2011 Gedeon Richter Plc. and the European Investment Bank (EIB) signed a EUR 150 million credit line contract with a 9 year term comprising an initial 3 year period of grace followed by a 6 year repayment period. This agreement has as its aim the financing during the period of 2011-2014 of Richter's original research activities targeting compounds, which are active in diseases of the Central Nervous System, combined with the development of bio similar products. The total amount of the credit facility is to be utilised in several tranches within 18 months from the signing of the agreement. EUR 50 million credit instalment has been drawn down by the balance sheet date, in December 2011.

31. OTHER NON-CURRENT LIABILITIES

	31 December 2011	31 December 2010
	HUFm	HUFm
Other non-current liability	9,708	37,730

As it is prescribed in Note 28, in connection with PregLem acquisition, milestone payments of up to CHF 295 million will be paid assuming achievement of all milestone targets stipulated in purchase agreement. Payments pending upon certain milestones criteria to be met in the future by PregLem are accounted for as a long term liability.
In 2011 the main item contributing to the decrease of Other non-current liabilities is the next instalment of PregLem's purchase price which amounted to HUF 42,328 million and transfered into Other short-term liabilities. In 2010 it resulted HUF 35,187 million increase of Other non-current liabilities. The change of milestone payments accounted in the Consolidation Cash Flow Statement as Non cash items accounted through Comprehensive and Consolidated Income Statement.

32. DIVIDEND ON ORDINARY SHARES

	2011	2010
	HUFm	HUFm
Dividend paid on ordinary shares	16,009	14,328

A dividend of HUF 860 per share (HUF 16,009 million) was declared in respect of the 2010 results, approved at the Company's Annual General Meeting on 27 April 2011 and paid during the year.

33. AGREED CAPITAL COMMITMENTS AND EXPENSES RELATED TO INVESTMENTS

	2011	2010
	HUFm	HUFm
Capital expenditure that has been contracted for but not included in the financial statements	2,889	6,469
Capital expenditure that has been authorised by the directors but has not yet been contracted for	18,093	18,070

The capital expenditure programme of the Parent Company approved by the Board of Directors totalling HUF 20,982 million comprises all costs associated with capital expenditure planned for 2012. The above commitments were not recorded either in the Income Statement or in the Balance sheet.

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

Maximum amount of exposure as the result of guarantees:

	2011	2010
	HUFm	HUFm
Bank guarantee given by Parent relating to Pharmapolis Gyógyszeripari Tudományos Park Kft.	3,000	3,000
Bank guarantee given by Medimpex Jamaica Ltd. (US$ 0.3 million)	72	63
Cash surety given by Gedeon Richter Romania S.A. for Pharmafarm S.A. (EUR 1.3 million)	405	371
Bank guarantee given by Reflex Kft.	-	1
Bank guarantee given by Gedeon Richter Polska Sp. z o.o.	11	11
Bank guarantee given by Richter Themis Ltd.	16	17
Bank guarantee given by PregLem S.A.	43	10

35. SOCIAL SECURITY AND PENSION SCHEMES

At the Parent Company contributions amounting to 27 percent of gross salaries were paid during 2011 to the State Tax Authority. The Parent Company has no further obligations beyond the statutory rates in force during the year.

The Parent Company contributes 6 percent of the monthly gross wages for those employees who decided to participate in the scheme. In addition, a one-off contribution is made in respect of employees who are within five years of the statutory retirement age. The total cost of the contributions made by the Parent Company was HUF 850 million in 2011 (in 2010: HUF 775 million). The pension fund had a total of 6,345 members (in 2010: 6,162 members) in 2011, 4,313 of whom were members entitled to receive the Company contributions (in 2010: 4,202 members).

The Parent Company has contributed to a private health insurance fund for the benefit of its employees since 1 September 2003. Amounts paid were HUF 4,000/person/month in 2011 and in 2010. 4,766 employees are members of Patika Health Insurance Fund and the total amount paid on their behalf to the fund was HUF 250 million during 2011 (in 2010 it was HUF 221 million for 4,704 employees).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 28 million in 2011 and HUF 27 million in 2010.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees.

The social securities paid by the company and described above are Defined Contribution Plan.

None of the subsidiaries of the Group operate any similar pension schemes, but all Hungary base subsidiaries pay a contribution to Patika Health Insurance Fund.

36. BUSINESS COMBINATION

36.1 BUSINESS COMBINATION IN 2010

In 2010 the Group via purchases of additional equity has increased the rate of its ownership in Pharmarichter 0.0.0. (Russia) and in Richter-Lambron 0.0.0. (Armenia) and both of these entities became fully consolidated companies, while in the prior years they were consolidated at equity method.
The Group recognised in the Consolidated Income Statement gain of HUF 47 million as a result of remeasuring to fair value its previously held 49% equity interest in Richter-Lambron 0.0.0. and a gain of HUF 1 million as a result of remeasuring to fair value its previously held 49% equity interest in Pharmarichter 0.0.0.

STEP ACQUISITION

	Carrying value	Fair value
	HUFm	HUFm
Paid consideration satisfied by cash	**(69)**	**-**
Property, plant and equipments	65	65
Inventories	296	296
Receivables	734	734
Cash and cash equivalents	216	216
Trade and other payables	(795)	(795)
Non controlling interest	(230)	(230)
Negative Goodwill		**(217)**

ACQUISITION OF PREGLEM

On 6 October 2010, the Group acquired 100% of the share capital of PregLem Holding S.A., a Swiss based, specialty biopharmaceutical company focused on the development and commercialisation of women's reproductive medicine.
The Acquisition of PregLem:

- Increases Richter's exposure to specialty pharma
- Develops Richter Group's presence in main European markets
- Complements Richter's existing Women's Health franchise.

	Carrying value	Fair value
	HUFm	HUFm
Paid consideration satisfied by cash	**(31,496)**	**-**
Contingent liability (non-current)	(32,987)	-
Contingent liability (current)	(13,648)	-
Total consideration	**(78,131)**	**-**
Property, plant and equipments	48	48
Intangible assets	2,891	2,891
Receivables	207	207
Cash and cash equivalents	3,070	3,070
Trade and other payables	(2,430)	(2,430)
Other intangible asset (ESMYA®)	-	66,813
Deferred tax liability	-	(18,665)
Goodwill		**26,197**

PregLem was acquired 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Group's presence in Western Europe. The management expects to realise significant synergies on income and expenditures as a result of launching the products of PregLem.

All costs incurred in connection with PregLem acquisition were accounted in income statement as Administration and general expense.

ACQUISITION OF GRÜNENTHAL'S ORAL CONTRACEPTIVE PORTFOLIO

	Carrying value	Fair value
	HUFm	HUFm
Paid consideration satisfied by cash	**(65,384)**	**-**
Manufacturing rights	165	165
Market authorisation	65,219	65,219
Goodwill	**-**	**-**

The acquisition of Grünenthal portfolio qualified to be a Business Combination according to IFRS 3, not an asset purchase, since the Group gains control over the input (market authorisation), and the processes (manufacturing right) as well.

36.2 BUSINESS COMBINATION IN 2011

In 2011 the Group via purchases of additional equity has increased the rate of its ownership in Richpangalpharma O.O.O. (Moldavia) and became fully consolidated company, while in the prior years it was consolidated at equity method. The Group recognised in the Consolidated Income Statement loss of HUF 385 million as a result of remeasuring to fair value its previously held 49% equity interest in Richpangalpharma O.O.O.

STEP ACQUISITION

	Carrying value	Fair value
	HUFm	HUFm
Paid consideration satisfied by cash	**(39)**	
Property, plant and equipments	1,041	1,041
Other intangible asset	0	0
Other financial assets	0	0
Loans receivable	3	3
Inventories	1,509	1,509
Receivables	712	712
Cash and cash equivalents	43	43
Long term liabilities	(750)	(750)
Trade and other payables	(1,675)	(1,675)
Non controlling interest	(309)	(309)
Negative Goodwill		**(535)**

37. CONTINGENT LIABILITIES

UNCERTAIN TAX POSITION IN ROMANIA

From 1 October 2009 the Government approved a claw back regime in the range of 5-12 % (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the manufacturers from sales of reimbursed drugs. The Group has similar taxes in other countries which are treated as other expense in the consolidated financial statements. On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force. In connection with the new tax regime, the Company has recorded HUF 170 million expense, while no provision has been recorded related to the contingent liabilities for the periods preceeding 1 October 2011. The new measures will apply to suppliers of medicines that are partly or fully reimbursed and the overspending of the national pharmaceutical budget has to be paid by the manufacturers based on their market shares. Negotiations between the pharmaceutical companies and the Government on an amendment and revision to the new claw-back system are currently ongoing.

PREGLEM DEFERRED PURCHASE PRICE

The acquisition cost of PregLem contains continget liabilities depending on the achievment of specific milestones. The key sources of the estimation uncertainties related this deferred purchase price is presented in more details in Note 3.1, while the related liability as of 31 December 2011 is presented as Other payables and accruals (Note 28) and as other non-current liabilities (Note 31).

38. DISPOSAL OF SUBSIDIARY

In October 2011, the Group disposed of Westpharma S.R.L. which carried out informatics service operation in Romania. The transaction did not (materially) impact the consolidated figures. No similar transaction occurred in year 2010.

39. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Hungarian State Holding Company (MNV Zrt.), as a business organisation is having a significant interest over Richter, nevertheless the Parent Company has no other transactions with the State Holding Company, than the regular dividend payments.

	2011	2010
	HUFm	HUFm
Dividend paid to MNV Zrt.	4,030	3,604

The Group does not perform significant transactions with other entities controlled or significantly influenced by the Hungarian State. The cumulative effect of these transactions is also not significant, therefore it is not presented separately in the financial statements.

39.1 RELATED PARTIES

The Group has not provided any long or short-term loans to its key management personnel. Loans given to associated companies are both long and short term loans.

	31 December 2011	31 December 2010
	HUFm	HUFm
Loans to associated companies	2,869	2,187
Related receivables (joint ventures)	90	102
Related receivables (associates)	2,877	3,946
Related payables (associates)	106	9
Revenue from joint ventures	705	621
Revenue from associates	12,950	13,457

All related-party transactions were made on an arm's length basis.

39.2 REMUNERATION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

	Short-term benefits - Allowance	
	2011	2010
	HUFm	HUFm
Board of Directors	73	70
Supervisory Board	36	36
Total	**109**	**106**

39.3 KEY MANAGEMENT COMPENSATION

	31 December 2011	31 December 2010
	HUFm	HUFm
Salaries and other short term employee benefits	717	694
Share based payments	1,326	1,476
Total short term compensation	**2,043**	**2,170**
Pension contribution paid by the employer	552	569
Total	**2,595**	**2,739**

The table above contains the compensation received by the chief executive officer, directors and other senior member of management, constituting 44 people.
There were no redundancy payments neither in 2010 nor 2011.

40. ADJUSTMENTS IN CONNECTION WITH CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

The Group has recognized that the value of ESMYA® (an intangible asset) in the Consolidated Financial Statements as of 31 December 2010 has been accounted incorrectly in HUF and not in the functional currency of the subsidiary owning ESMYA® that is CHF. The foreign exchange translation difference has been made retrospectively. The effect of this adjustment is in the following table:

Consolidated Balance Sheet	31 December 2010	31 December 2010	Change
	HUFm	HUFm	HUFm
	Audited	Restated	
Other intangible assets	150,726	155,183	4,457
Foreign currency translation reserves	(3,771)	686	4,457

Consolidated Statement of Comprehensive Income	2010	2010	Change
	HUFm	HUFm	HUFm
	Audited	Restated	
Exchange differences arising on translation of foreign operations	5,250	9,707	4,457
Total comprehensive income for the year attributable to owners of the parent	72,254	76,711	4,457

This adjustment has no impact on years prior to 2010 therefore the Group is not presenting the beginning of the earliest comparative period in Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income.
Since the restatement did not have any impact the Profit attributable to owners of the Parent therefore it did not effect the EPS of 2010.
The restatement did not have any impact on the Cash and cash equivalents balance therefore it did not effect the Cash flow statement.

41. EVENTS AFTER THE DATE OF THE BALANCE SHEET

After the balance date Richter announced on 27 February 2012 that the European Commission had granted marketing authorization to ESMYA® 5 mg tablet as pre-operative treatment of moderate to severe symptoms of uterine fibroids for all European Union Member States.

On 8 and 28 February 2012 Richter announced the third positive Phase III results with cariprazine in patients with acute mania associated with bipolar I disorder and another two positive Phase III trials for the treatment of schizophrenia. With these results Richter has three positive Phase III trials for both indications. During 2012 the U.S. registration procedure may start.

In January 2012 the Company drew down a second tranche (EUR 50 million) of the EUR 150 million EIB credit facility.

Except for the above mentioned events, there were no events after balance sheet date that would influence the presentation of the Group financial statements.

42. APPROVAL OF FINANCIAL STATEMENTS

Current consolidated financial statements have been approved by the Board of Directors and authorised for release at 23 March 2012.

APPENDICES

2011

CONSOLIDATED FINANCIAL RECORD 2005-2011 [1]

STATEMENTS OF INCOME (HUFm)	2005	2006	2007	2008	2009	2010	2011
for the years ended 31 December							
Total revenues	**172,597**	**209,373**	**224,076**	**236,518**	**267,344**	**275,312**	**307,868**
Cost of sales	(75,573)	(89,704)	(104,379)	(108,421)	(116,443)	(107,137)	(114,529)
Gross profit	**97,024**	**119,669**	**119,697**	**128,097**	**150,901**	**168,175**	**193,339**
Operating expenses and other income and expenses	(57,433)	(70,142)	(83,414)	(93,941)	(98,432)	(105,522)	(132,412)
Profit from operations	**39,591**	**49,527**	**36,283**	**34,156**	**52,469**	**62,653**	**60,927**
Share of profit of associates	848	863	735	903	52	50	(4,234)
Net financial (loss)/income	5,747	1,723	(1,238)	8,394	4,379	5,073	(7,022)
Profit before income tax	**46,186**	**52,113**	**35,780**	**43,453**	**56,900**	**67,776**	**49,671**
Income tax	(543)	(711)	(779)	(498)	(1,032)	12	2,795
Solidarity tax			(1,030)	(1,378)	(1,897)		
Local business tax					(3,018)	(3,148)	(2,914)
Profit for the year	**45,643**	**51,402**	**33,971**	**41,577**	**50,953**	**64,640**	**49,552**
Non-controlling interest	(330)	(124)	(635)	(167)	33	(161)	(172)
Profit attributable to owners of the Parent	**45,313**	**51,278**	**33,336**	**41,410**	**50,986**	**64,479**	**49,380**
SHARE STATISTICS (HUF)							
Earnings per share [2]	2,431	2,751	1,789	2,222	2,736	3,460	2,649
Dividends per ordinary share [3]	600	690	450	590	770	860	660

STATEMENTS OF INCOME (EURm)	2005	2006	2007	2008	2009	2010	2011
for the years ended 31 December							
Total revenues	**696.2**	**794.0**	**892.0**	**941.6**	**952.4**	**998.2**	**1,099.5**
Cost of sales	(304.8)	(340.2)	(415.5)	(431.7)	(414.8)	(388.4)	(409.0)
Gross profit	**391.4**	**453.8**	**476.5**	**509.9**	**537.6**	**609.8**	**690.5**
Operating expenses and other income and expenses	(231.7)	(266.0)	(332.1)	(373.9)	(350.6)	(382.6)	(472.9)
Profit from operations	**159.7**	**187.8**	**144.4**	**136.0**	**187.0**	**227.2**	**217.6**
Share of profit of associates	3.4	3.3	2.9	3.6	0.2	0.2	(15.1)
Net financial (loss)/income	23.2	6.5	(4.9)	33.4	15.6	18.4	(25.1)
Profit before income tax	**186.3**	**197.6**	**142.4**	**173.0**	**202.8**	**245.8**	**177.4**
Income tax	(2.2)	(2.7)	(3.2)	(2.0)	(3.7)	0.0	10.0
Solidarity tax			(4.0)	(5.5)	(6.8)		
Local business tax					(10.8)	(11.4)	(10.4)
Profit for the year	**184.1**	**194.9**	**135.2**	**165.5**	**181.5**	**234.4**	**177.0**
Non-controlling interest	(1.3)	(0.4)	(2.5)	(0.7)	0.1	(0.6)	(0.6)
Profit attributable to owners of the Parent	**182.8**	**194.5**	**132.7**	**164.8**	**181.6**	**233.8**	**176.4**
SHARE STATISTICS (EUR)							
Earnings per share [2]	9.81	10.43	7.12	8.85	9.74	12.54	9.46
Dividends per ordinary share [3]	2.42	2.62	1.79	2.35	2.74	3.12	2.36

Notes: [1] This Financial Record is not a part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
[2] EPS calculations based on the total number of shares issued.
[3] 2011 dividends per ordinary share of HUF 660 are as recommended by the board of directors.

BALANCE SHEET (HUFm)	2005	2006	2007	2008	2009	2010 [4]	2011
as at 31 December							
Non-current assets	140,117	160,677	175,487	171,057	175,168	359,484	379,584
Net other assets and liabilities	113,383	135,736	140,606	169,328	205,107	181,735	202,675
Non-current liabilities	(474)	(2,485)	(1,712)	(1,099)	(1,520)	(99,104)	(92,291)
Non-controlling interest	(6,486)	(5,813)	(8,198)	(2,787)	(2,613)	(3,131)	(3,863)
Total net assets	**246,540**	**288,115**	**306,183**	**336,499**	**376,142**	**438,984**	**486,105**
Share capital	18,638	18,638	18,638	18,638	18,638	18,638	18,638
Reserves	228,047	270,015	289,263	318,465	358,329	420,885	471,980
Treasury shares	(145)	(538)	(1,718)	(604)	(825)	(539)	(4,513)
Capital and reserves [5]	**246,540**	**288,115**	**306,183**	**336,499**	**376,142**	**438,984**	**486,105**
Total assets and total equity and liabilities	**277,580**	**325,784**	**347,963**	**384,133**	**429,970**	**603,277**	**688,285**
Capital Expenditure (HUFm)	**29,841**	**32,351**	**23,197**	**22,010**	**24,211**	**88,704**	**32,285**

BALANCE SHEET (EURm)	2005	2006	2007	2008	2009	2010 [4]	2011
as at 31 December							
Non-current assets	553.8	638.1	692.5	646.7	647.6	1,294.5	1,220.1
Net other assets and liabilities	448.2	539.1	554.9	640.2	758.2	654.4	651.5
Non-current liabilities	(1.9)	(9.9)	(6.8)	(4.2)	(5.6)	(356.9)	(296.6)
Non-controlling interest	(25.6)	(23.1)	(32.3)	(10.5)	(9.7)	(11.3)	(12.4)
Total net assets	**974.5**	**1,144.2**	**1,208.3**	**1,272.2**	**1,390.5**	**1,580.7**	**1,562.6**
Share capital	73.7	74.0	73.6	70.5	68.9	67.1	59.9
Reserves	901.4	1,072.3	1,141.5	1,204.0	1,324.6	1,515.5	1,517.2
Treasury shares	(0.6)	(2.1)	(6.8)	(2.3)	(3.0)	(1.9)	(14.5)
Capital and reserves [5]	**974.5**	**1,144.2**	**1,208.3**	**1,272.2**	**1,390.5**	**1,580.7**	**1,562.6**
Total assets and total equity and liabilities	**1,097.2**	**1,293.8**	**1,373.2**	**1,452.3**	**1,589.5**	**2,172.4**	**2,212.4**
CAPITAL EXPENDITURE (EURm)	**120.4**	**122.7**	**92.3**	**87.6**	**86.3**	**321.6**	**115.3**

Notes: [1] This Financial Record is not a part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
[4] Restated (For details see page 132).
[5] Excluding non-controlling interest.

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

EXCHANGE RATES (EUR/HUF)	2005	2006	2007	2008	2009	2010	2011
Average	247.9	263.7	251.2	251.2	280.7	275.8	280.0
End of year	253.0	251.8	253.4	264.5	270.5	277.7	311.1

NUMBER OF EMPLOYEES	2005	2006	2007	2008	2009	2010	2011
End of year	8,078	8,526	9,528	10,527	10,090	10,259	10,773

UNCONSOLIDATED FINANCIAL RECORD 2005-2011 [1]

STATEMENTS OF INCOME (HUFm)	2005	2006	2007	2008	2009	2010	2011
for the years ended 31 December							
Total sales	**140,929**	**171,095**	**171,216**	**178,392**	**202,360**	**218,263**	**258,327**
Cost of sales	(54,494)	(66,183)	(69,137)	(69,149)	(71,495)	(70,183)	(78,021)
Gross profit	**86,435**	**104,912**	**102,079**	**109,243**	**130,865**	**148,080**	**180,306**
Operating expenses and other income and expenses	(49,071)	(57,725)	(67,285)	(75,113)	(76,095)	(88,314)	(104,292)
Profit from operations	**37,364**	**47,187**	**34,794**	**34,130**	**54,770**	**59,766**	**76,014**
Net financial income	6,259	2,283	1,724	14,103	7,622	2,424	(8,154)
Profit before Income tax	**43,623**	**49,470**	**36,518**	**48,233**	**62,392**	**62,190**	**67,860**
Income tax		136	11	8	(236)	892	139
Solidarity tax			(1,015)	(1,365)	(1,889)		
Local business tax					(2,965)	(3,102)	(2,866)
Profit for the year	**43,623**	**49,606**	**35,514**	**46,876**	**57,302**	**59,980**	**65,133**
SHARE STATISTICS (HUF)							
Earnings per share [2]	2,341	2,662	1,906	2,515	3,075	3,218	3,495
Dividends per ordinary share [3]	600	690	450	590	770	860	660

STATEMENTS OF INCOME (EURm)	2005	2006	2007	2008	2009	2010	2011
for the years ended 31 December							
Total sales	**568.5**	**648.8**	**681.6**	**710.2**	**720.9**	**791.4**	**922.6**
Cost of sales	(219.8)	(251.0)	(275.2)	(275.3)	(254.7)	(254.5)	(278.6)
Gross profit	**348.7**	**397.8**	**406.4**	**434.9**	**466.2**	**536.9**	**644.0**
Operating expenses and other income and expenses	(198.0)	(218.9)	(267.9)	(299.0)	(271.0)	(320.2)	(372.5)
Profit from operations	**150.7**	**178.9**	**138.5**	**135.9**	**195.2**	**216.7**	**271.5**
Net financial income	25.3	8.7	6.9	56.1	27.1	8.8	(29.1)
Profit before Income tax	**176.0**	**187.6**	**145.4**	**192.0**	**222.3**	**225.5**	**242.4**
Income tax		0.5	0.0	0.0	(0.9)	3.2	0.5
Solidarity tax			(4.0)	(5.4)	(6.7)		
Local business tax					(10.6)	(11.2)	(10.3)
Profit for the year	**176.0**	**188.1**	**141.4**	**186.6**	**204.1**	**217.5**	**232.6**
SHARE STATISTICS (EUR)							
Earnings per share [2]	9.44	10.09	7.59	10.01	10.95	11.67	12.48
Dividends per ordinary share [3]	2.42	2.62	1.79	2.35	2.74	3.12	2.36

Notes: [1] This Financial Record is not a part of the audited Consolidated Financial Statements prepared in accordance with IFRS.
[2] EPS calculations based on the total number of shares issued.
[3] 2011 dividends per ordinary share of HUF 660 are as recommended by the board of directors.

BALANCE SHEET (HUFm)	2005	2006	2007	2008	2009	2010	2011
as at 31 December							
Non-current assets	142,539	164,812	186,036	195,685	209,475	371,268	374,081
Net other assets and liabilities	103,700	121,102	119,917	149,964	183,277	147,109	180,353
Non-current liabilities						(76,850)	(70,994)
Total net assets	**246,239**	**285,914**	**305,953**	**345,649**	**392,752**	**441,527**	**483,440**
Share capital	18,638	18,638	18,638	18,638	18,638	18,638	18,638
Reserves	227,701	267,769	288,988	327,570	374,894	423,383	469,270
Treasury shares	(100)	(493)	(1,673)	(559)	(780)	(494)	(4,468)
Capital and reserves	**246,239**	**285,914**	**305,953**	**345,649**	**392,752**	**441,527**	**483,440**
Total assets and total equity and liabilities	**265,221**	**309,028**	**326,266**	**365,570**	**416,504**	**558,634**	**630,032**
Capital Expenditure (HUFm)	**25,799**	**26,320**	**17,818**	**16,572**	**21,085**	**84,466**	**24,779**

BALANCE SHEET (EURm)	2005	2006	2007	2008	2009	2010	2011
as at 31 December							
Non-current assets	563.4	654.6	734.2	739.8	774.4	1,336.9	1,202.3
Net other assets and liabilities	409.9	480.9	473.2	567.0	677.6	529.7	579.7
Non-current liabilities						(276.7)	(228.2)
Total net assets	**973.3**	**1,135.5**	**1,207.4**	**1,306.8**	**1,452.0**	**1,589.9**	**1,553.8**
Share capital	73.7	74.0	73.6	70.5	68.9	67.1	59.9
Reserves	900.0	1,063.5	1,140.4	1,238.4	1,386.0	1,524.6	1,508.3
Treasury shares	(0.4)	(2.0)	(6.6)	(2.1)	(2.9)	(1.8)	(14.4)
Capital and reserves	**973.3**	**1,135.5**	**1,207.4**	**1,306.8**	**1,452.0**	**1,589.9**	**1,553.8**
Total assets and total equity and liabilities	**1,048.3**	**1,227.3**	**1,287.6**	**1,382.1**	**1,539.8**	**2,011.6**	**2,025.0**
Capital Expenditure (EURm)	**104.1**	**99.8**	**70.9**	**66.0**	**75.1**	**306.3**	**88.5**

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EXCHANGE RATES (EUR/HUF)	2005	2006	2007	2008	2009	2010	2011
Average	247.9	263.7	251.2	251.2	280.7	275.8	280.0
End of year	253.0	251.8	253.4	264.5	270.5	277.7	311.1

NUMBER OF EMPLOYEES	2005	2006	2007	2008	2009	2010	2011
End of year	5,867	5,971	6,194	6,174	5,932	6,288	6,515

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