GEDEON RICHTER BUSINESS REVIEW 2020

CONTENTS

IN MEMORIAM
WILLIAM DE GELSEY (1921–2021)

William de Gelsey
Lifetime Honorary
Chairman

IN MEMORIAM
WILLIAM DE GELSEY (1921–2021)

Baron William de Gelsey, born in 1921 in Vienna commenced his elementary studies in a bilingual English-Hungarian elementary school in Budapest followed by the Royal Academy Catholic College located in District II of the Hungarian capital. In 1939 he left Hungary to study at Trinity College in Cambridge in the UK, where he graduated in 1942 in Natural Sciences.

Following some years of experience gained in an industrial environment he turned toward investment banking in 1960, occupying different management positions at Hill Samuel and Co. and Orion Royal Bank.

Following a gradual relaxation of hardline Communist leadership in Hungary he first returned to his native country in 1974 to celebrate the 50th anniversary of the foundation of the Hungarian National Bank.

In 1988 he became a counsellor to the Chairman of Creditanstalt based in Austria, and therefore temporarily relocated to Vienna.

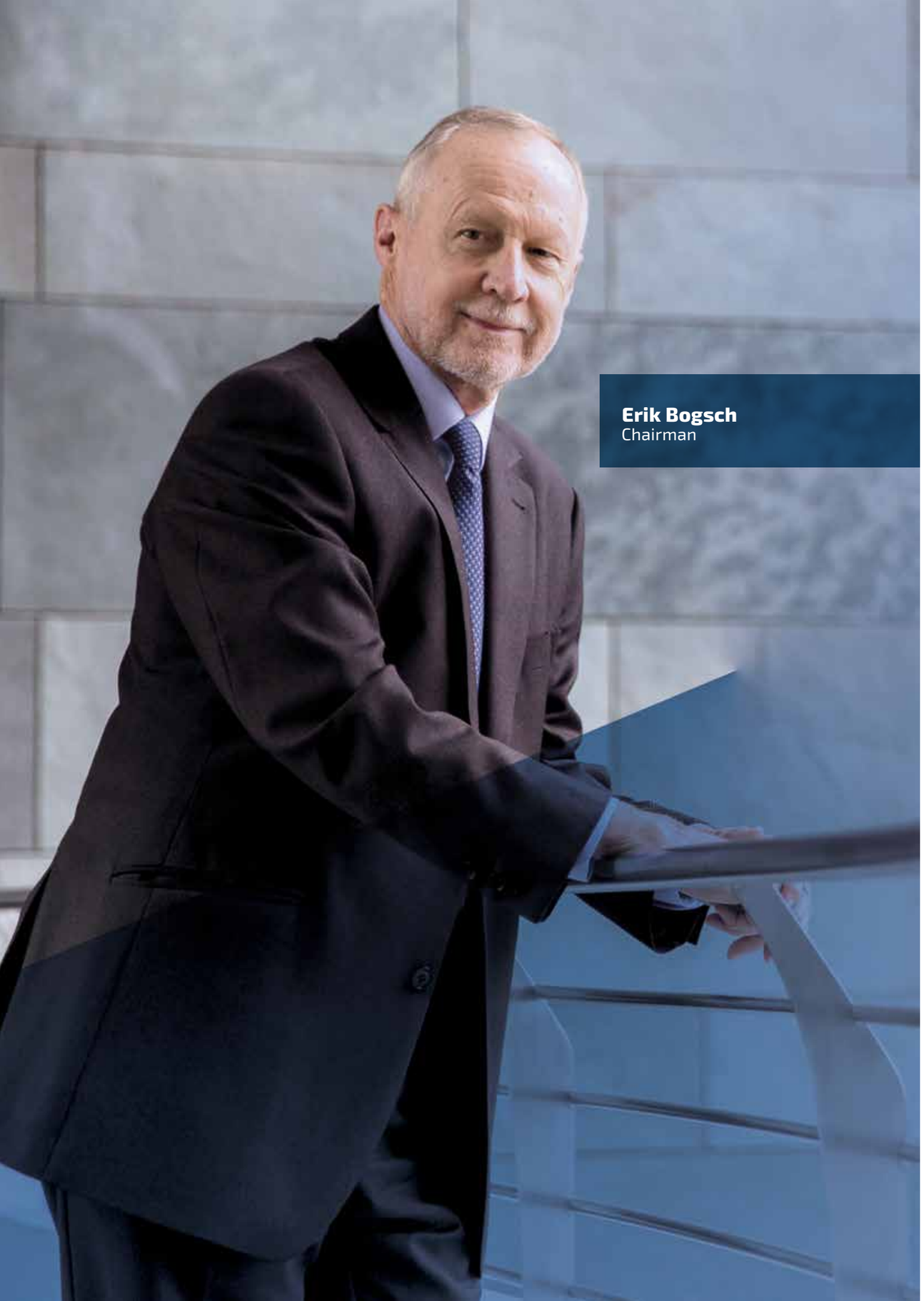
Many titles and awards were bestowed on him, the one he particularly appreciated was the Knight Commander title of the Order of St. Gregory the Great bestowed on him in 2005 by late Pope Saint John Paul II. In 2011 he was awarded the Commander's Cross of the Order of Merit of the Republic of Hungary. A pedagogical institute bearing his name was established in 2014 in provincial Hungary, in the town of Szeged.

William became a member of the Board of Directors of Gedeon Richter in 1995 laying the foundations for a lifelong commitment to preserving the heritage of the 120-year old Hungarian pharmaceutical company. Throughout all these years William de Gelsey has advocated abroad the mission of Richter, facilitating valuable business contacts and wisely advising fellow Board members about best practices in financial and other business transactions. He was Chairman of the Board between 1999 and 2016 and Lifetime Honorary Chairman since then.

Baron William de Gelsey has been a very kind and approachable person extending help to any of his many acquaintances in need and his parting leaves an irreplaceable loss for all those who had the privilege to meet and work with him.

His memory will live forever in our hearts.

CHAIRMAN'S LETTER TO THE SHAREHOLDERS



Erik Bogsch
Chairman

It is with deep regret that I inform our stakeholder community that Baron William de Gelsey, KCSG, Honorary Lifetime Chairman of Richter's Board of Directors passed away on 26 February 2021. Born in 1921 in Vienna, William left Hungary in 1939 to study at Trinity College, Cambridge. After graduating in natural sciences he began his career in an industrial environment. In 1960 he turned towards investment banking, an activity which he pursued throughout his entire life. Even after becoming an influential member of the international banking world he always maintained close ties with his native country. I am in particular saddened because it is not only Richter that has lost one of its most committed ambassadors outside of Hungary, I personally am now also saying goodbye to a very close friend who was always there to extend a helping hand whenever I or any of his many acquaintances was in need.

Hereby I bring to the attention of our Shareholders this Business Review for 2020. A year, which was marked by the unprecedented global challenge of a pandemic and the variety of restrictive measures addressing the spread of the disease. These measures were implemented across virtually all of the geographies Richter operates in. Notwithstanding the difficulties experienced during the year we can proudly report on certain achievements both at a strategic and on operational level.

Among the challenges faced by Richter throughout 2020 those imposed by the COVID-19 pandemic and the measures taken by authorities as a response proved to have the most important impact on our business. With the health and wellbeing of our employees at stake our primary goal was their safety and protection while taking all necessary steps in order to prevent any disruption to the operations. I am in the position to inform you of the success of these protective measures implemented by our Management.

We are pleased to report on meaningful achievements in most of our strategic focus areas.

Cariprazine has become during the reported period a global molecule marketed both in the USA and in most markets of the European Economic Area; additionally in some Balkan countries. Aside from Russia and Ukraine, patients from most of the Other CIS countries have already gained access to our novel atypical antipsychotic. Singapore, Thailand, Israel, Jordan are countries where cariprazine is already on the market and Malaysia, Egypt, Saudi Arabia are those where the launch of the product is imminent at the time of publication of this report. Further marketing authorizations and subsequent launches are expected to continue throughout 2021. Two phase III clinical trials are ongoing in the USA to determine efficacy, safety and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD) which is expected to widen the therapeutic availability of the product.

Our Women's Healthcare (WHC) portfolio showed convincing growth by the end of the reported year despite a significant decline in sales levels reported for ESMYA® sales. This core business pillar received a paramount strategic reinforcement in December 2020 when Richter announced the acquisition of Janssen's contraceptive patch, EVRA®, including worldwide rights ex USA. In February 2020 the European Medicines Agency (EMA) accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol and drospirenone. In March Richter signed an agreement to license-in a novel molecule, RELUGOLIX®, aimed towards the treatment of uterine fibroids and endometriosis. Regulatory approval for the territory of the EU in respect of the first indication had been previously sought by the originator company. Both the novel OC and RELUGOLIX® are expected to be approved by EMA in the first half of 2021 and to reach first markets in the second half of the year. In addition to the above, Richter extended in 2020 the scope of geographic co-operation for the novel OC to also include Latin American markets.

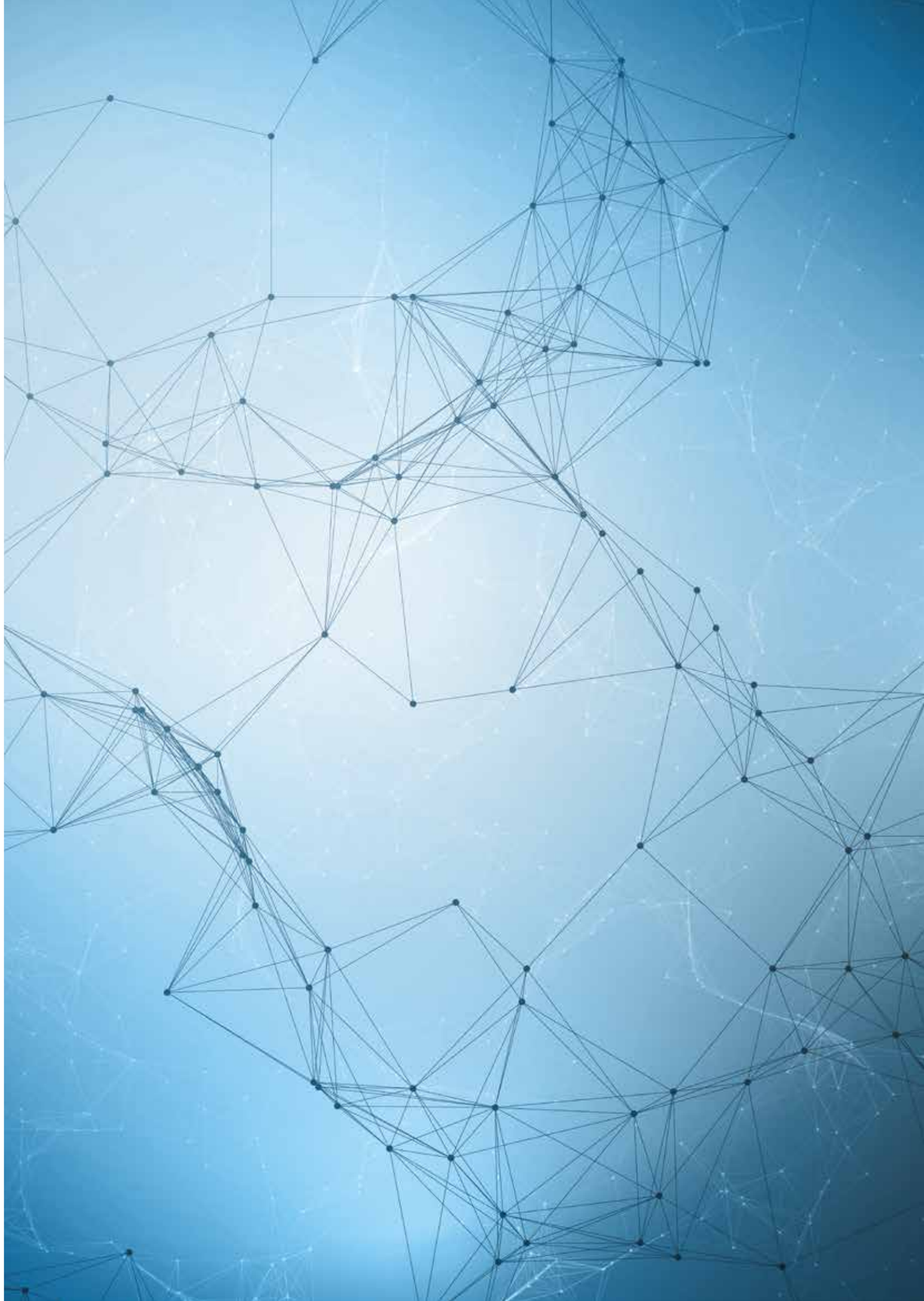
Biosimilar operations also reported on a series of achievements during the year under review. Market success of teriparatide was reported both in Europe and in Japan and in spite of the challenges related to the pandemic and restrictive measures linked thereto its turnover exceeded by more than three times the sales levels achieved in 2019. After having acquired the tocilizumab asset and all the related rights from our Taiwan based partner, Mycenax in April 2020 a new co-operation for the development of this biosimilar for the Japanese market was agreed upon with Mochida in October.

Delisting of CAVINTON in China impacted primarily flattish turnover of our branded portfolio overall while the ongoing price readjustment in Russia caused a significant decline to be recorded in the sales levels of our traditional generic business.

All the above remarks are made based on figures recorded in HUF the devaluation of which has prevailed during the reported year.

The Board of Richter is altogether pleased with the results reported. This is the opportunity to extend our appreciation for the sustained efforts of Mr Gábor Orbán, CEO, who together with his executive staff, managed to defend the strategic positions of Richter during such a difficult year and amidst unparalleled challenges resulting in further increase in shareholder value.

Erik Bogsch
Chairman



CORPORATE REVIEW

1. FACT SHEET

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

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

Parent Company Data

Headquarters	1103 Budapest, Gyömrői út 19-21., Hungary	
Mail address	1475 Budapest, Pf. 27., Hungary	
Phone	+36 1 431 4000	
Fax	+36 1 260 4891	
E-mail	posta@richter.hu	
Website	www.gedeonrichter.com	
Established	1901	
Main activity	Research, development, manufacturing and marketing of pharmaceutical products	
VAT	Number10484878-2-44	
EU VAT Number	HU10484878	
Share capital	HUF 18,637,486,000	
Number of shares issued	186,374,860	
Auditor	Deloitte Auditing and Consulting Ltd.	
Shares listed at	Budapest Stock Exchange	ISIN: HU0000123096
	Luxembourg Stock Exchange	ISIN: US3684672054
GDRs issued by	BNY Mellon	
GDR / Ordinary share ratio	1:1	

Investor Relations Department

Address	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 10., Hungary
E-mail	investor.relations@richter.hu
Homepage	www.gedeonrichter.com

2. KEY INDICATORS

Consolidated Financial Highlights

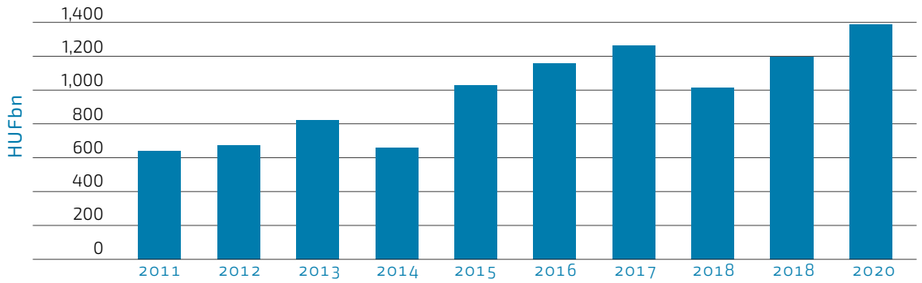
	2020 HUFm	2019 HUFm	Change %	2020 EURm	2019 EURm
Total revenues	566,776	507,794	11.6	1,614.8	1,560.7
Profit from operations	115,089	39,896	188.5	327.9	122.6
Profit for the year[1]	106,052	48,430	119.0	302.2	148.9
	2020 HUF	**2019 HUF**	**Change %**	**2020 EUR**	**2019 EUR**
Earnings per share (EPS)[2]	563	253	122.5	1.60	0.78
Dividends per ordinary shares[3]	225	63	257.1	0.62	0.19
	2020	**2019**	**Change**		
Number of employees at the end of the period	12,842	13,025	-183		

Notes: [1] Includes minority interest.
[2] EPS calculations based on the total number of shares issued.
[3] The amount of 2020 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

Richter Share Price Information in 2020

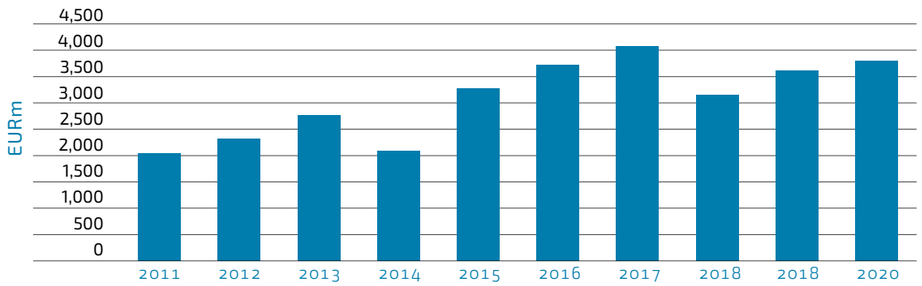
	Date	HUF
Opening price	02.01.2020	6,500
Closing price	30.12.2020	7,440
Change (%)		14.5
Annual minimum value	23.03.2020	5,420
Annual maximum value	10.12.2020	7,580

Market Capitalisation*



Note: *All data based on year-end prices. Calculations based on the total number of shares issue.

Market Capitalisation*



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

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

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

All shareholders have the right to participate in the General Meeting, request information, make comments and submit motions as set out by the Hungarian Civil Code. Shareholders may also exercise their rights at the General Meeting through an authorised representative (proxy). The proxy may not also be a shareholder. The name of the shareholder or shareholder's proxy intending to participate in the General Meeting must be entered in the share register by the second working day prior to the starting date of the General Meeting.

As for the issues on the agenda of the General Meeting, the Board of Directors must provide every shareholder with the information necessary for the discussion of the items on the agenda by ensuring that at the written request of a shareholder, submitted at least eight days prior to the date of the General Meeting, they receive the necessary information at least three days before the General Meeting.

Each share with a nominal value of HUF 100 entitles its holder to one vote with the proviso that a shareholder is not entitled to exercise voting rights in excess of 25 percent of the voting rights represented by the shareholders present or represented at the General Meeting for his or her own benefit or as a representative of another shareholder alone or together with other affiliated person(s).

Shareholders may practise their rights after entitlement verification by way of the identification procedure.

The **Board of Directors** is the ultimate decision-making body of the Company except with respect to those matters reserved for shareholders. The Board of Directors conducts its activities in accordance with the Company's Statutes, the resolutions of the General Meeting and the most recent applicable laws and regulations. The Board of Directors reviews and approves the Company's vision, strategic guidelines and programmes, as well as any transactions beyond its usual business. It monitors and regularly evaluates the performance of the Company and the activities of the Executive Board. The Board is responsible for selecting and concluding a contract with the chief executive officer (CEO), as well as for assessing the CEO's performance and determining his/her remuneration. It ensures compliance with and enforcement of the norms contained in regulations and the Code of Ethics.

A majority of Directors of the Board are Non-Executive Directors. All the non-executive directors are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The Board meets regularly, throughout the year. According to the Statutes, it has

a formal schedule of matters reserved to it for decisions. The Board works to an agreed agenda in reviewing the key activities of the business and the Company's long-term strategy. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected and re-elected at the AGM for a maximum term of 5 years.

A key element of the Company's management policy is the separation of the positions of Chairman of the Board of Directors and Chief Executive Officer. The duties of the Chief Executive Officer and the Chairman of the Board of Directors are performed by two separate individuals.

The members of the Board of Directors are liable for any damage caused to the Company in breach of their obligations in accordance with the rules of liability for damage caused by breach of contract as set out in the Hungarian Civil Code.

Since 2004 two subcommittees of the Board exist which prepare and submit proposals contributing to the Board's decision-making process. The subcommittees both consist of at least three members, the majority of whom are non-executive independent Board directors.

The **Corporate Governance and Nomination Subcommittee** is responsible for considering and making recommendations to the Board concerning the appropriate size, functions and needs of the Board. This responsibility includes establishing the criteria for Board membership; conducting appropriate inquiries into the background and qualifications of possible candidates; considering matters of corporate governance and reviewing periodically our Corporate Governance Principles. The members of the Corporate Governance and Nomination Subcommittee do not receive any special fee in excess of their remuneration as a member of the Board of Directors for their activities performed in the Subcommittee.

The **Remuneration Subcommittee** evaluates experiences related to the remuneration system of members of the Board of Directors and the Supervisory Board and makes proposals as to its amendment taking into consideration the relevant effective legal regulations. The responsibility of the Remuneration Subcommittee also includes preparing a proposal for the compensation of the Chief Executive Officer. The members of the Remuneration Subcommittee do not receive any special fee in excess of their remuneration as a member of the Board of Directors for their activities performed in the Subcommittee.

Overseeing the management of the Company is the **Supervisory Board.** Pursuant to the Company's Statutes, the Supervisory Board consists of a minimum of five and a maximum of nine members. The Company applies the independence requirements set out in Hungary's Civil Code to the members of the Supervisory Board. Taking these requirements into account, the principle of the majority of independent members in the Supervisory Board fully applies. Two members of the Supervisory Board are employee representatives representing the employees, while three members are external persons independent of the Company.

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

The **Audit Board** is responsible for the oversight of the Company's internal accounting standards. The Board consists of three independent members of the Supervisory Board who are elected by the AGM. The Chairman of the Audit Board is appointed by the Supervisory Board. The Audit Board members as a whole shall have competence relevant to the sector in which the Company is operating. At least one member of the Audit Board shall have a professional certificate in accounting or auditing.

Furthermore, among others, observing the enforcement of the professional, conflict of interest and independency requirements applicable to the statutory auditor and monitoring of other services provided by the statutory auditor to the Company or the companies controlled by the Company, besides the auditing of consolidated and individual annual reports, belong in the scope of competences and tasks of the Audit Board.

The **Executive Board** is responsible for the executive management of the Company's business. The Executive Board is chaired by the Chief Executive Officer. The Executive Board is a forum for preparing decisions, where all members have the right and obligation to express their opinions. Based on the opinions expressed by the members of the Executive Board, the final decision is made, depending on competence, by the Chief Executive Officer or the Board of Directors.

In November 2017 the Company appointed an Executive Chairman for direct supervision of trade, international, public and government relations within a framework of organisational division of labour. The Executive Chairman's primary task is to assist the Company's specialty pharma transformation by developing networks established in Western European and overseas markets and by ensuring the continuous expansion of the high value-added, largely innovative product portfolio.

Remuneration System and Transparency

The Company has not developed remuneration procedures for the members of the Board of Directors and the members of the Supervisory Board, nor for the Chief Executive Officer and the members of the management. The members of the Board of Directors and the Supervisory Board perform their duties for a fixed fee, the amount of which is approved by the Company's General Meeting from year to year as part of a separate agenda item.

The Consolidated Annual Report submitted to the General Meeting contain the aggregate remuneration of the members of the Board of Directors and the Supervisory Board, as well as the executives holding key positions. The resolutions of the General Meeting on the remuneration of the members of the Board of Directors and the Supervisory Board were published on the Company's website, and in compliance with Article 11.6 of the Statutes, the Company published a summary of the cash and non-cash benefits paid by the Company to the members of the Board of Directors and the Supervisory Board in the previous business year, broken down by member and entitlement, which was summarised in the invitation to the General Meeting.

The decision on the remuneration of the CEO falls within the competence of the Board of Directors. The Board of Directors decides on the remuneration of the Chief Executive Officer based on a proposal of the Remuneration Subcommittee. The remuneration of the other members of the Executive Board falls within the competence of the Chief Executive Officer. The CEO decides on the evaluation of and remuneration for the work of the Executive Board within the framework of the annual plan and the bonus system.

Conflict of Interest and Independence

With respect to the relationships of members of the Board of Directors and the Executive Board with third parties – to avoid conflicts of interests – the employment contracts of management members preclude them from entering into an employment relationship, or any other legal relationship that is treated as such, with a business venture that has a similar business profile; while with regard to members of the Board of Directors and the Supervisory Board, the declaration made by them upon their election ensures that there is no conflict of interest between their elected position at the Company and their other commitments.

In case of those public companies limited by shares which do not have one tier system (Board), but where operate a two tier system - there is an independent Supervisory Board beside the Board of Directors - the Hungarian Civil Code do not state criteria of independence to the members of the Board of Directors. Apart from this the Company applies the criteria of independence concerning Supervisory Board members stated by the Civil Code in respect of both members of the Board of Directors and of the Supervisory Board.

Business Ethics, Compliance

In the course of 2016, the Company reviewed and amended the Code of Ethics of Gedeon Richter Plc. and its affiliates ('RICHTER') as an elemental part of its Global Compliance Program. The Code of Ethics provides requirements for the conduct expected of the Company's employees in subordinate positions and for the higher levels of conduct demands on executive staff. It also sets guidelines on communications within the Company and on relations between the Company and its business partners. In the course of 2017, the renewed Code of Ethics and the Manuals of the Global Compliance Program were localized and implemented in the European affiliates of the Company, where the employees received comprehensive education of their contents.

In 2018, the Global Compliance Program was started to be extended to affiliates and representative offices in Latin American countries and in the CIS member states. In 2019, the Spanish and Russian versions of the compliance materials were completed, with the help of which the local operating procedures were updated, and the employees of the affiliates could be trained.

In 2019, the Company continued to hold Global Compliance Program-related training, and as a result, compliance awareness has gathered ground. This is also shown in the increase of incidents reported through the Compliance Hotline on many different topics, including reports related to conflicts of interest, which resulted in the decision to create an individual Conflict of Interest Policy, which entered into force in first half of 2020. The aim of the policy was to draw the attention of employees to potential conflicts of interests, to share guidance on how to avoid them and to handle already existing ones.

The continuous education of employees in compliance related topics is critical for the Company, therefore several trainings have also been held in 2020. Together with the Conflict of Interest Policy, the employees received training on the topics of Code of Ethics and the Compliance Hotline as well as training on the new Trade Secret Policy, which also entered into force in 2020.

The increase and strengthening of compliance awareness are not only important regarding our own employees, but also throughout our entire supply chain. Therefore, all our contracts signed with Third Parties contain anti-corruption clauses, which cover the content of the Anti-Corruption Manual, and which constitute the prerequisite of any contract.

4. COMPANY'S BOARDS

Board of Directors

Lifetime Honorary Chairman

Mr William de Gelsey (1921– 26 February 2021)

Chairman

Mr Erik Bogsch (1947)	also member of the Executive Board (non-independent)

Independent members

Dr György Bagdy (1955)
Dr Péter Cserháti (1963)
Dr Ilona Hardy dr Pintérné (1956)
Mr Csaba Lantos (1962)
Dr Anett Pandurics (1973)
Mr Bálint Szécsényi (1974)
Prof. Dr Szilveszter E. Vizi (1936)

Non-independent members

Dr Gábor Gulácsi (1958)	also member of the Executive Board
Mr Gábor Orbán (1979)	also member of the Executive Board

Executive Board

Mr Gábor Orbán (1979)	CEO
Mr Erik Bogsch (1947)	Executive director responsible for Commercial, for Legal and Global Operations, for PR and Government Relations
Dr István Greiner (1960)	Research director
Dr Gábor Gulácsi (1958)	CFO
Mr Tibor Horváth (1974)	Commercial director
Dr György Thaler (1959)	Development director

Supervisory Board

Dr Attila Chikán (1944)	Chairman
Prof. Dr Jonathán Róbert Bedros (1961)	Member
Dr Zsolt Harmath (1975)	Member
Mrs Klára Kovácsné Csikós (1954)	Member / employee representative
Dr Éva Kovácsné Kozsda (1962)	Member / employee representative

5. ANNUAL GENERAL MEETING

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

Due to the situation caused by the coronavirus epidemic (COVID-19) and having regard to applicable laws (in Government Decree No. 502/2020. (XI.16.) the Company sees no possibility to hold its annual general meeting previously set to the day of 15 April 2021 in the corporate action timetable for year 2021, in person in accordance with the regulations of the Company's Statutes.

Simultaneously the Company, fulfilling its legal obligations, with respect to the statutory time limits published its announcement containing the invitation to the Company's Annual General Meeting in year 2021, on 12 March 2021.

The published date and venue of the AGM:

15 April 2021 Thursday at 2.00 p.m., H-1103 Budapest Gyömrői út 19-21.

4

CHIEF EXECUTIVE OFFICER'S REVIEW

Gábor Orbán
Chief Executive Officer

The year 2020 has created unprecedented challenges for both healthcare and the world beyond. The outbreak of the coronavirus disease caused a global crisis, with people worldwide being forced to adapt to the new realities brought on by the pandemic. The current situation has affected industries in different ways, benefiting some and disrupting, or even side-lining, others.

As a key stakeholder in global public health, our dual objective since the beginning of the crisis has been to protect the health and wellbeing of our employees while preventing any disruption to operations. Thanks to the dedication and commitment of our colleagues, we have so far been able to sustain operations and fully preserve the value creation capability of the Company.

For further details on COVID-19 related challenges and responses initiated by our team, please visit the dedicated chapter on page 82.

I am very pleased with the continued progress we made in 2020 under such extremely difficult circumstances in our endeavour of shifting our business model towards specialty pharma. Despite the challenges mentioned above we have seen a further increase in the proportion of turnover generated from the specialty product group to 57 percent by the end of the year under review.

Following the successful closing of the AbbVie-Allergan transaction agreement, AbbVie continued to focus on the commercialization of VRAYLAR®, which grew rapidly during 2020 despite certain disruptions caused by the pandemic. Thanks to the outstanding performance of our trusted partner, VRAYLAR®'s annualised turnover exceeded USD 1 billion in the second quarter 2020, which triggered a sales related milestone payment. In addition, royalty revenues also grew on the back of robust sales dynamics during the year under review, putting the US at the top of our list of most important markets.

In line with our aim to exploit the full medical and commercial potential of cariprazine, we are conducting two phase III clinical trials in the USA jointly with our partner AbbVie, to determine efficacy, safety and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD).

Cariprazine was launched in several countries in 2020, while the registration procedures are still ongoing in certain regions, including countries of the EU, the CIS, Non-EU regions and certain Other markets to ensure its near global presence.

We have also achieved significant progress in our other specialty initiative, i.e. the Biosimilar Business where in April 2020 we have entered into an asset purchase agreement with Mycenax in respect of biosimilar tocilizumab for the treatment of rheumatoid arthritis. A few months later, in October we have licensed out this product to Mochida to develop, manufacture and commercialise the product in Japan. I am very pleased with the performance of our biosimilar teriparatide achieved during the reported year, having been launched both in Europe and in Japan during 2019, which despite the market disruptions caused by COVID-19, presented an outstanding year-on-year growth.

Our key specialty area remains Women's Healthcare, where we provide one of the broadest range of products available to women of all age groups. In order to pursue these objectives, in March 2020, we have entered into an exclusive license agreement with Myovant to commercialize RELUGOLIX®, a combination tablet for treatment of both uterine fibroids and endometriosis. These two indications are still considered as unmet need with only limited treatment options available for women suffering from such conditions. Progress has also been made during 2020 in respect of the novel oral contraceptive developed by Mithra, as EMA started the evaluation of Richter's marketing authorisation application. At the end of March 2021 the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive opinion for the novel combined oral contraceptive. The above two Women's Healthcare products are expected to be introduced during the second half of 2021.

Towards the end of the year under review we have signed a milestone deal with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US EVRA® transdermal contraceptive patch assets. Adding a patch to our existing contraceptive delivery methods enables us to offer the widest selection of family planning solutions to women. The purchase price paid for the assets on the closing of the deal in January 2021, amounted to USD 263.5m.

A new PRAC review procedure was initiated in March 2020 in respect of ESMYA®, which resulted in a temporary suspension of sales. In accordance with CHMP earlier recommendation, the European Commission (EC) implemented a decision restricting the use of ESMYA® in January 2021.

Considering the hectic market environment and the loss of ESMYA® sales I am very pleased with the overall performance of our WHC franchise.

The developments outlined above were complemented by an overall favourable FX environment dominated by EUR and RUB exchange rate movements against HUF, which contributed to our good sales results reported in 2020 in the order of magnitude of HUF 18bn.

Our branded generic and traditional product portfolio have faced both challenges and opportunities during the turmoil caused by the pandemic. While the review of prices of certain drugs included in the Essential Drug List impacted negatively our turnover in Russia during the year under review, the delisting of CAVINTON injectables coming into effect from 1 January 2020 also resulted in a significant loss in China. Quite the opposite, our antiviral product, GROPRINOSIN saw outstanding demand during 2020 in certain traditional markets as a consequence of the COVID-19 pandemic.

Richter Group reported HUF 566,776m consolidated sales in 2020, representing a 12 percent increase when compared with 2019.

Cariprazine related revenues amounted to HUF 90,650m, which includes a HUF 79,765m royalty income and a one-off sales related milestone in the amount of HUF 7,946m.

Profit for the year was HUF 106,052m in 2020, representing a HUF 57,622m year-on-year increase.

I am extremely proud of the resilience of our business operations in the face of the disruption caused by the virus. We managed to stand our ground thanks to our organisational culture of trust and cooperation, our vertically integrated business model, our geographic and therapeutic diversification and a strong balance sheet – all of them core values that continue to define our approach to steering the ship of Richter.

Gábor Orbán
Chief Executive Officer

STRATEGIC REVIEW

STRATEGIC INITIATIVES – BRIEF DESCRIPTION

An in-depth review of Richter's operations has led the Management Team to refocus the Company's strategy thus and realign corporate resources to changing environmental challenges.

Aiming to maximise shareholder value the Management Team has identified the following strategic targets:
- building a high added value portfolio
- achieving sustainable growth while maintaining margin levels
- successfully carrying out high entry barrier activities
- keeping and whenever possible improving the importance of brands
- establish a healthy balance between long term value creation and short life-cycle generic drugs

Strategic Pillars

	Objectives	Stabilization/ Growth	Present	Near	Medium	Long	Risk	HUFm
Legacy business								
1. Traditional portfolio	offsetting portfolio erosion	S	*				Low	61,015
2. Branded generics	securing presence in core markets	S	*				Low	129,663
Specialty achievements								
3a. WHC	securing stable turnover (core WHC)	S/G	*	*			Mid-Low	151,549
4a. Cariprazine	securing margins	G	*	*			Mid-Low	90,649
5a. Biosimilar products	securing margins	G	*	*			Mid-Low	24,388
Specialty challenges								
3b. WHC–projects in development	securing growth (non-core WHC)	G		*	*		Mid-High	
4b. Cariprazine label/ geographic coverage	prolongation of high margin business	G		*	*		Mid-High	
5b. Biosimilar products	high-end pharma niche w/ high return	G				*	High	
6. Original research CNS	finding new original candidates	G				*	High	

Cariprazine

Cariprazine was discovered by Richter scientists in the early 2000s and co-developed with Forest Laboratories (now: AbbVie) until its launch in 2016 in the USA under the trademark, VRAYLAR® with two indications: schizophrenia and bipolar mania. Cariprazine was also approved by the EMA in 2017 for the schizophrenia indication under the brand name REAGILA®. The product is marketed in Western Europe by Recordati while Richter performs sales and marketing activities for this product in Central and Eastern Europe and CIS. In addition, Richter has signed a number of bilateral agreements to commercialize REAGILA® in non-European markets.

Subsequent to successful phase III trials treatment for bipolar depression was added as an indication by the FDA in 2019 to the product label in the USA.

This strategic pillar aims towards maximizing cariprazine's market potential by extending the range of existing formulations, by widening the therapeutic scope and by extending its geographical availability.

Original Research with Focus on CNS

Research of new chemical entities has always been of paramount importance to our corporate strategy. In 2014 as a consequence of increasing pressure to improve cost efficiency, a thorough review of our CNS portfolio resulted in a number of projects being either terminated or suspended. Notwithstanding this, building on the scientific and commercial success of cariprazine, our research team continues to focus on central nervous system related disorders. An adjustment in the research concept occurred in 2019 when symptomatic research criteria replaced the previous indication-based approach. Symptoms are grouped into three clusters, such as cognitive, negative and positive, which can be traced back to a number of indications. This strategic initiative aims towards submitting for registration within a strategic time horizon a new target molecule by managing in a cost-effective way a healthy project pipeline with the involvement of new development partners.

Women's Healthcare

One of Richter's most important niche areas is its Women's Healthcare business with unique and long-term experience in this therapeutic field. The Company has consistently utilised its pharmaceutical manufacturing facilities to undertake the required complex and lengthy development processes which result in high quality gynaecological products. The strategic aim of this initiative is to reach a leading position in geographical Europe by entering into novel WHC areas with unmet need, by offering a trendsetting portfolio and by pursuing partnering opportunities. These targets can be achieved by acquiring innovative products or late stage projects in any of the following subsegments: female fertility, uterine fibroids / endometriosis, female contraception, infectious diseases in Women's Healthcare and HRT.

Biosimilar Business

Biopharmaceuticals (often referred to as 'biologics') have taken a significant share of the global pharmaceutical market in the last two decades. Building on our experience in the area of classical fermentation, combined with molecular biology know how, a strategic decision was made by management in 2006 to commence recombinant expression based biotechnology product development activities at the Company. In addition to the acquisition of a Germany based microbial expression based biotechnology development and manufacturing company (Richter-Helm Biologics today) in 2007, a greenfield mammalian cell expression based biotechnology site was constructed in Debrecen, Hungary with a drug substance and drug product manufacturing plant in addition to supporting QC and development laboratories. The biotechnology pillar contributes to the Group's current and future sales revenues through development and commercialisation of our biosimilar portfolio. New business and in-licensing opportunities together with contract manufacturing / contract development and manufacturing projects, partnering for ongoing developments and the geographic expansion of the commercial footprint of our teriparatide biosimilar are all key activities within the activities of this strategic pillar. The therapeutic focus targeted for developments is osteoporosis and rheumatology.

Branded Generic and Traditional Products

Contributing to around one half of Richter's pharma revenues, our traditional and branded generic portfolio remains an important cornerstone of our business. We capitalise on our vertically integrated business model, which comprises in-house development and manufacturing of finished form products as well as most of the APIs. This is complemented by the sales and marketing of the entire portfolio. Nonetheless, a highly competitive market environment combined with tightening regulatory standards, price regulations and increasing patient awareness going hand in hand with cost pressures on energy and wages keeps our performance under pressure in this part of the business. We aim towards maintaining our existing market positions in our traditional geographies building on strong corporate and product brands.

Dr István Greiner
Research Director

1. Original Research – Focus on Central Nervous System (CNS)

Innovation and the research of original drug molecules have been key elements in the Company's strategy since its foundation in 1901. With more than 1,200 employees in the field of research and development Richter today is the most significant pharmaceutical research base in the Central and Eastern European region. Pharmaceutical R&D embraces four strategic areas, notably recombinant biotechnological activities, research and development of new chemical entities (NCEs), late stage women's healthcare projects and generic products.

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

In order to adjust our original research activities to the recently reshuffled strategic initiatives we reviewed the potential focus areas of the disorders of the Central Nervous System that we aim to pursue. In this process the experiences gained during the successful development of cariprazine were also exploited. As a result of the review procedure, which was supported by external consultants, three major areas of NCE research within the CNS therapeutic field were outlined as symptom clusters, namely negative, positive and cognitive. There are a number of different indications related to the above mentioned symptom clusters, which provide a wide range of biological targets to pursue. Preclinical and clinical research activities have been restructured in line with this new approach.

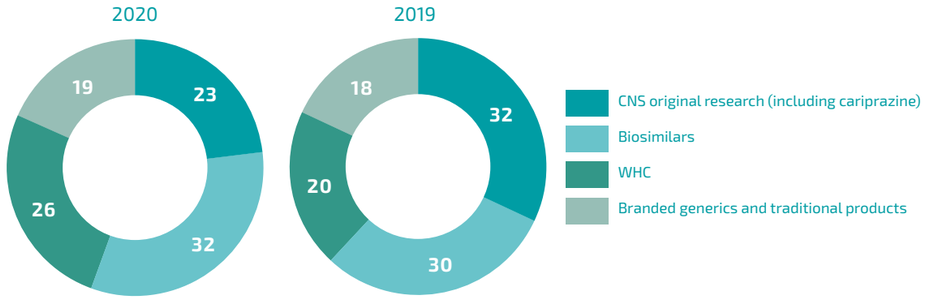
The preclinical research activities have been reconsidered during 2020 having in mind the productivity and efficiency of the related tasks. In order to accelerate the speed of progress of individual projects some of the projects were terminated having taken into account a modality based (i.e. based on the principles of biological functioning) grouping of biological targets, which led to a decrease in the total number pf projects. This process resulted in a further concentration of our resources. The project plans of those which remained in the pipeline have been revised and certain milestones have been adjusted to provide earlier results. These activities focus on research of potential product candidates aiming at biological targets which are in the centre of the scientific and industrial needs.

The advancement of our projects in clinical phases have been set back by the COVID pandemic by slowing down the patient enrolment. In addition, the costs related to obligatory clinical trials increased to a certain extent. Regarding clinical pipeline further unfavourable issue was that some trials had been stopped because of scientific reason or their clinical development plan had to be redesigned.

At the end of 2020, in addition to cariprazine the Company had a research portfolio of 11 ongoing original research projects, one of which is in phase II status and another one which is in phase I, with the remainder in earlier preclinical research and development.

R&D Activities Related to the Other Strategic Pillars

Split of R&D Spending (%)



The success story of **cariprazine** continued throughout 2020. In order to exploit the full potential of this compound jointly with our partners geographical expansion and the conducting of clinical trials continued during the year under review. As a result of this effort six marketing authorizations have been granted, a new partnering agreement was concluded. In addition, ten ongoing clinical trials ensure that we honour our commitments to provide postmarketing data in respect of cariprazine and that we can further expand the therapeutic reach of the compound. In the case of the clinical trials COVID -19 pandemic caused delays in the patient enrolment, the impact of which is currently not easily estimated. The Research Department contributed substantially to the cariprazine related scientific conferences and symposiums held in 2020. We are very proud that the cariprazine containing REAGILA® obtained the 'Drug of the Year' prize in Hungary in the reported year.

The development of **Women Healthcare** projects is considered as a paramount objective for the Company, as this part of the portfolio is expected to be one of the key drivers of both top line and bottom line growth in the medium term. In accordance with this aim Research Department dedicated significant resources for the development related to synthesising active pharmaceutical ingredients of oral contraceptives and in turn for reducing the overall level of direct costs. It is considered similarly important that technology transfer of licensed in projects in late stages of their development continued successfully during the year under review according to previously established timelines. In addition, the Medical Affairs activity made substantial contributions to the registration process of Women Healthcare products and to the support for pre-marketing activities.

In order to assist the progress of the **branded generic** and **traditional** projects Research Department provided support to active pharmaceutical ingredient development, carried out intellectual property right activities and bioequivalence studies in the case of the latter with an almost 100 percent success rate. As a result of well-coordinated cooperation of various departments, successful R&D work and the unrivalled chemistry knowledge accumulated in the Company we managed to develop for clinical investigation with exceptional speed the antiviral product remdesivir thereby providing a very crucial tool for healthcare providers during the fight against COVID-19 pandemic. In respect of the life cycle management of some of our traditional products Medical Affairs activities supported substantially the development of new formulations.

Please refer to chapter 'Biosimilars' on pages 44–47 for further information related to biosimilar R&D activities.

2. Cariprazine

Overview

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

While the mechanism of action of cariprazine in schizophrenia and bipolar I disorder is unknown, the efficacy of cariprazine could be mediated through a combination of partial agonist activity at the dopamine D_3 and D_2 receptors with high binding affinity and at the serotonin 5-HT_{1A} receptors and an antagonist activity at 5-HT_{2B} and 5-HT_{2A} receptors with high and moderate binding affinity as well as its binding to the histamine H_1 receptors. Cariprazine shows lower binding affinity to the serotonin 5-HT_{2C} and α_{1A}-adrenergic receptors and has no appreciable affinity for cholinergic muscarinic receptors.

Cariprazine was discovered by Richter scientists in the early 2000s and co-developed with Forest Laboratories (now: AbbVie) until its launch in 2016 in the USA under the trademark, VRAYLAR® with two indications: schizophrenia and bipolar mania. Cariprazine was also approved by the EMA in 2017 for the schizophrenia indication under the brand name REAGILA®. The product is marketed in Western Europe by Recordati while Richter performs sales and marketing activities for this product in Central and Eastern Europe and CIS. In addition, Richter has signed a number of bilateral agreements to commercialize REAGILA® in non-European markets.

Subsequent to successful phase III trials treatment for bipolar depression was added as an indication by the FDA in 2019 to the product label in the USA.

Indication Expansion

In line with our aim to exploit the full medical and commercial potential of cariprazine, we are conducting two phase III clinical trials in the USA jointly with our partner AbbVie, to determine efficacy, safety and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD).

We have a positive phase IIb study already in hand. The read out of these two trials are expected to occur in the last quarter 2021. At this time, it is thought that at least one positive study out of the two ongoing phase III trials would support a potential filing.

Geographic Coverage

Following the successful launch of the product in the USA, in Europe and in the CIS further international co-operations were established during 2019. An exclusive licence agreement was signed with Australia based Seqirus Pty Ltd. to commercialise cariprazine in this country and in New Zealand. Further down the road Richter agreed with its earlier partner Allergan (now AbbVie) to expand the geographic scope of their licence agreement to include major markets in Latin America. In addition to the above Richter signed an exclusive licence agreement with Hikma Pharmaceuticals to commercialise the product in certain Middle East and North African (MENA) markets. Mitsubishi Tanabe Pharma Corporation's subsidiaries in Singapore and Thailand obtained the regulatory approval of cariprazine. Richter also signed an exclusive licence and supply agreement with WhanIn Pharm. Co., Ltd. for the commercialisation of cariprazine in the South Korean market in 2020.

Recent Developments

REAGILA® was earlier launched with reimbursement by Richter in the following countries of the Central and Eastern European region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia. The product had previously been on the market in Romania, in Poland and in Lithuania without reimbursement. In EU15 region REAGILA® had been introduced with reimbursement and commercialized by Recordati in 11 markets.

In addition the product had already been on the market in Belgium without reimbursement.

The product was launched by Richter with reimbursement in Montenegro and without reimbursement in Serbia. REAGILA® was launched by Recordati with reimbursement earlier in Switzerland and Norway.

In Russia REAGILA® achieved Essential Drug List (EDL) status with effect from 1 January 2020 therefore it can be prescribed with reimbursement to certain patients. In the CIS region the product has been earlier launched in Azerbaijan, Belarus, Georgia, Kazakhstan, Moldavia, Russia, Ukraine and Uzbekistan.

Following successful registration REAGILA® is on the market in Israel, marketed by Dexcel. In the reported period REAGILA® already marketed by Hikma in Jordan received marketing authorization in Egypt and the Kingdom of Saudi Arabia. Further regulatory activities are ongoing in a number of MENA countries. REAGILA® is marketed in Singapore and Thailand by Richter's local partner, Mitsubishi Tanabe Pharma Corporation. In addition, the product received regulatory approval in Malaysia during the third quarter of 2020.

Altogether by the end of 2020 cariprazine was available in 38 countries globally including the USA and Hungary, with reimbursement in the majority of those countries where a reimbursement system is in place.

Cariprazine related revenues amounted to HUF 90,650m, including HUF 79,765m royalty income and a one-off sales related milestone in the amount of HUF 7,946m.

Tibor Horváth
Commercial Director

3. Women's Healthcare

Overview

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

Our Women's Healthcare franchise traditionally has had a strong presence in Central and Eastern Europe and in the CIS region. In the mid 1990's our USA business was scaled up initially by signing a strategic agreement with Duramed Inc. focusing on Richter's niche specialty area, Women's Healthcare, notably on oral contraceptives, which was extended both in scope and in duration with Barr Inc., who acquired Duramed. Subsequent mergers and acquisitions did not interfere with our long-term partnerships, which over time have enabled our US organisation to become a renowned Women's Healthcare API (Active Pharmaceutical Ingredient) supplier. In addition Richter is a supplier to Foundation Consumer Healthcare (it used to be a supplier to Teva) of its finished form emergency contraceptive products, PLAN B / PLAN B ONE STEP.

Portfolio Expansion

A key element of the Company's strategy has been and remains the development of its Women's Healthcare product portfolio. In accordance with this strategy several acquisitions have been concluded over the past decades complemented by a number of research and development co-operation contracts and licensing-in agreements.

Geographic Coverage

With one of the broadest women's healthcare portfolio worldwide Richter serves women's medical needs on all continents. In order to support the sales and distribution of its products Richter maintains an extensive specialized sales network across Western and Eastern Europe and all of the CIS republics. In addition, subsidiaries of the Group promote and distribute this specialty portfolio in China, Australia and most of the Latin American countries. In those countries where the Group has no direct presence, women can get access to our high added value range of products via Richter's well established local partners.

Main Projects

Female Contraception

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

OCs Portfolio Acquired from Grünenthal

The purchase in 2010 of Grünenthal's well-established oral contraceptive franchise boosted both our existing gynaecological sales and also created a platform for establishing a Women's Healthcare sales network in Western Europe. Sales of this product group consisting of six brands recorded HUF 14,678m during 2020.

Contraceptive Ring LEVOSERT®

Extending our Women's Healthcare franchise, a levonorgestrel releasing Intrauterine System (IUS), LEVOSERT® was launched in Central Europe and in 2017 further licensed-in from Allergan for Western and Northern European countries. The agreement was extended in 2019 to also include Latin American markets..

Product registration for EU markets in respect of a novel, more comfortable version of the product allowing for one handed insertion (SHI) is underway. First launches are expected to take place in some European markets during 2021.

Total turnover achieved by this product in 2020 amounted to HUF 1,983m.

EVRA® Contraceptive Patch

In December 2020 as a further step to enhance our existing branded female healthcare franchise worldwide Richter signed an agreement with Janssen, a wholly owned subsidiary of Johnson & Johnson to purchase its Outside US EVRA® transdermal contraceptive patch assets. The purchase price paid for the assets amounted to USD 263.5m.

By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women.

EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99 percent effective.

The market authorisation transfer of the product in Richter's name is expected to take between 6 to 18 months on different markets. Priority is being given to large EU markets. Intermediate arrangements ensure that product sales remain unaffected by the transaction during the above timeframe required for the transfer.

DROVELIS® a Novel OC Licenced-in from Mithra

To further diversify the range of contraceptives to women an agreement was signed with Mithra Pharmaceuticals in 2018 to commercialise a combined oral contraceptive, containing estetrol and drospirenone. The product is considered to be a novel oral contraceptive with natural, native estrogen acting selectively in tissues combined with additional benefits of drospirenone. The geographic scope of the agreement covered Europe, Russia and other CIS countries. In February 2020 EMA commenced its evaluation of Richter's marketing authorisation application and following the closing of the reported year, in March 2021 CHMP issued a positive opinion. Pending upon a final decision of the EC, DROVELIS® is expected to reach first EU markets in the second half of 2021.

In December 2020 Richter and Estetra S.A, the wholly owned subsidiary of Mithra have extended their partnership and signed a license and supply agreement for the commercialization of the same novel OC to include key markets in Latin America.

Co-operation with Pantarhei for the Development of a Combined, Novel OC

A contract has been signed with Pantarhei Bioscience BV in 2019 according to which we plan to commercialise Pantarhei's combined oral contraceptive, containing ethynil estradiol, levonorgestrel and dehydroepiandrosterone (DHEA). The product, currently under development has successfully completed phase II trials and is ready for further clinical studies en route to making an application for a marketing authorization. The geographic scope of the agreement covers Europe, Russia, other CIS countries, Latin America and Australia.

ARC (Androgen Restored Contraception) is a novel concept of oral contraception developed and patent protected by Pantarhei with the aim to restore sexual function with a special focus on sexual desire and arousal and to prevent mood disturbances. This is achieved by adding DHEA to the contraceptive pill. DHEA is a natural human adrenal androgen that is metabolised partially to testosterone after oral intake, which hormone level is suppressed when fertile women use a contraceptive pill. By adding DHEA to the pill, the testosterone levels are normalised.

Phase II clinical trials aiming at assessing the efficacy of the triple API combination product candidate commenced during the year in review.

Co-operation with Evestra for the Development of API Releasing Vaginal Rings

A co-operation previously signed with Evestra Inc. was terminated in 2020. The first contract concluded by the parties in 2015 was extended in 2017 and 2019 by two additional agreements on joint product development and financing schemes, respectively. The initial co-operation had as its aim the development and registration of an API releasing vaginal ring, similar to Organon's NUVARING®. In addition to the above there were under co-development other API releasing IUDs.

Subsequently Richter proceeded in 2020 to account for an asset impairment of HUF 1,561m.

Uterine Fibroids and Endometriosis

Affecting over 25 percent of women of reproductive age, uterine fibroids are noncancerous tumors that develop in or on the muscular walls of the uterus and are among the most common reproductive tract tumors in women. In addition to an individual's genetic predisposition, estrogens are well known to play an important role in the regulation of fibroid growth.

Although uterine fibroids are benign tumors, they can cause debilitating symptoms such as heavy menstrual bleeding (frequently resulting in anemia and fatigue), pain (including painful periods, abdominal pain, painful intercourse, backache), increased abdominal girth and bloating, urinary frequency or retention, constipation, pregnancy loss, and, in some cases, infertility. These symptoms can also lead to loss of productivity at work, limitations in normal activities of daily living, and social embarrassment.

Affecting approximately 10 percent of women of reproductive age, endometriosis is a disease in which tissue similar to the uterine lining is found outside the uterine cavity, commonly in the lower abdomen or pelvis, on ovaries, the bladder, and the colon. This endometrial-like tissue outside the uterus results in chronic inflammation and can cause scarring and adhesions.

The symptoms associated with endometriosis include painful periods and chronic pelvic pain, painful ovulation, pain during or after sexual intercourse, heavy bleeding, fatigue, and infertility. Endometriosis can also impact general physical, mental, and social well-being.

For pain associated with endometriosis, initial treatment options include oral contraceptives and over-the-counter pain medications. In more severe cases GnRH agonists are used for short-term treatment.

ESMYA®

The acquisition of PregLem announced in 2010 enabled Richter to enhance its portfolio with ESMYA®, a first in class product initially approved for pre-operative treatment of uterine fibroids in 2012 for the member states of the European Union. Subsequent indications followed in 2014 and 2015 with a two-cycle treatment and a long-term intermittent treatment, respectively. Following peak sales of HUF 28,757m recorded in 2017, the European Medicines Agency (EMA) Pharmacovigilance Risk Assessment Committee (PRAC) commenced in December of the same year a review of drug induced liver injury potentially related to ESMYA®. In July 2018 the European Commission (EC) decision opened the way for the relaunch of this product with a restricted use. A second PRAC review procedure was initiated in March 2020 in respect of ESMYA®, which resulted in a suspension of sales of the product. In September 2020 the PRAC considered that the benefit-risk balance of all medicinal products containing ulipristal acetate 5 mg was not favourable and recommended the revocation of the marketing authorisations. Following the end of the reported year, in January 2021 EC implemented a decision concerning the marketing authorisations of ulipristal acetate 5 mg (ESMYA®). This decision adopted the opinion of the Committee for Medicinal Products for Human Use (CHMP) of the EMA, which was published in November 2020. The CHMP has recommended in its opinion the restricting use of ulipristal acetate 5 mg (ESMYA®) as a result of cases of serious liver injury.

The molecule was licensed out to Watson for the USA at the end of 2010 and the development of the product candidate began subsequently. Watson's successor, Allergan received in August 2018 a Complete Response Letter from the U.S. Food and Drug Administration (FDA) in respect of the New Drug Application (NDA) filing for ulipristal acetate, as an investigational drug for the treatment of abnormal uterine bleeding in women with uterine fibroids. No further actions have been taken in this respect by our USA based partner.

RELUGOLIX®

In March 2020 Richter and Myovant Sciences, a healthcare company focused on developing innovative treatments for women's health and prostate cancer, have entered into an exclusive licence agreement for Richter to commercialize RELUGOLIX® combination tablet (relugolix, estradiol and norethindrone acetate) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States (CIS) including Russia, Latin America, Australia, and New Zealand.

Prior to the agreement Myovant submitted in March 2020 a Marketing Authorization Application to the EMA for RELUGOLIX® combination tablet for the treatment of women with moderate to severe symptoms associated with uterine fibroids.

Richter expects the MAA to be granted in the first half of 2021 with launches on the first EU markets to commence in the second half of the year.

Phase III SPIRIT 2 and SPIRIT 1 studies in women with pain associated with endometriosis were successfully completed during the second quarter of 2020.

Female Fertility

Up to 25 percent of all couples may experience problems in conceiving a child, a figure that appears to be rising partly due to the trend to delay pregnancy. The World Health Organization estimates that there are about 60 to 80 million cases of infertility around the world. Being a responsible player in the pharmaceutical universe we are aware of the importance of reproductiveness of the female population and we are committed to addressing women's needs from a pharma industry perspective.

BEMFOLA®

In addition to an already well-established portfolio a very promising product has been added in 2016, when Richter acquired Finox Holding, a privately held Swiss biotech company focused on the development and commercialisation of innovative and cost effective products addressing female fertility. Finox represented a unique opportunity for Richter to widen its core Women's Healthcare franchise and further emphasised its commitment to the biosimilar business. This acquisition allowed Richter to establish its presence in the female fertility therapeutic area – a major growth market.

BEMFOLA®, a recombinant-human Follicle Stimulating Hormone (r-hFSH) was developed by Finox as a biosimilar to GONAL-f®, an established reference product. BEMFOLA® was the first biosimilar r-hFSH launched in Europe.

BEMFOLA® sales were negatively impacted in the first half of 2020 by the consequences of the COVID-19 pandemic as most of the fertility centres were closed for a period of almost three months. Although this trend was partly reversed later in the year the overall weaker sales performance recorded in 2020 was more than offset in HUF terms by a worsening EUHUF average exchange rate experienced during the reported year. Expressed in EUR terms total sales performance of this product reported for the twelve months to December 2020 declined by 4.2 percent when compared to 2019.

Sales of BEMFOLA® recorded during 2020 amounted to HUF 16,688m.

CYCLOGEST®

The Fertility portfolio was further expanded in 2018 when Richter agreed with L.D. Collins & Co. Limited, a UK based company, to commercialize its progesterone containing assisted reproduction technology (ART) product, CYCLOGEST® in 27 EU member states. Beside the regulation of ovulation and menstruation, progesterone is essential in establishing and maintaining early pregnancy. CYCLOGEST® pessaries contain 400mg of progesterone, a naturally occurring progestogen. CYCLOGEST® prepares the lining of the uterus (endometrium) to be as receptive as possible to the embryo and therefore it is critical to support the luteal phase as part of ART.

The product has been launched on most EU markets during 2020.

Total sales recorded by this product in 2020 was HUF 1,382m.

AYOLA®

New delivery technologies are well received by lifestyle driven patient groups as younger generations require new, non-oral approaches to contraception. Digitalization in healthcare creates an opportunity to make faster progress in the area of personalized healthcare. The analysis of real-world data – anonymised patient data collected from visits to doctors, medical records and other sources – will give a major boost to innovation in the medium to long term.

Pursuing the above mentioned trends we signed in 2017 an exclusive licence and distribution agreement with Prima-Temp, a US based company, to commercialise its innovative medical device, AYOLA® in the most important markets globally, except for the USA and Canada.

AYOLA® is a smart, self-inserted vaginal ring that continuously measures a woman's core body temperature to detect subtle changes that occur prior to ovulation as an aid in detecting the fertile window. An alert is sent to her smart phone when she is most fertile through the accompanying AYOLA® app. By continuously and passively measuring core body temperature, Prima-Temp's smart technology powered by its proprietary algorithm provides a convenient and precise means for identifying the fertile window. The ring does not contain any active ingredient but a temperature measurement sensor.

The device is currently undergoing real life testing in Hungary with market launch expected to occur by the end of first half 2022.

Gynaecological Infections

Recurrent Vulvovaginal Candidiasis is a debilitating, chronic infectious condition that affects millions of women. Primary symptoms include vaginal itching, burning, irritation and inflammation. Some women may experience abnormal vaginal discharge and painful sexual intercourse or urination, causing variable but often severe discomfort and pain. RVVC impacts quality of life, to a degree comparable to asthma and worse than diseases such as headache and migraine. In Europe, the standard of care treatment for RVVC has many drawbacks including limited effectiveness, safety concerns with chronic dosing, and inadequate ability to provide long-term protection.

VT-1161, oteseconazole

In 2019 Richter and Mycovia Pharmaceuticals, Inc. have entered into an exclusive licence and development and technology transfer agreement to commercialise and manufacture VT-1161 for the treatment of RVVC. The geographic scope of the licence agreement covers Europe, Russia, the other CIS countries, Latin America and Australia.

VT-1161 is an orally available inhibitor of fungal CYP51 infection being developed by Mycovia for the treatment of RVVC and onychomycosis. The product candidate currently in phase III clinical trials is designed to be highly selective and have improved efficacy, and it may avoid side effects that limit the use of current antifungals in the treatment of RVVC.

The above mentioned phase III clinical trials were successfully completed in USA and EU based clinical trial centres.

Hormone Replacement Therapy

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

LENZETTO®

Based on a cooperation established in 2013 with Acrux, an Australian drug delivery company, Richter commercialises Acrux's estradiol transdermal spray therapy for female menopause symptoms in all markets outside the United States.

Turnover of LENZETTO® during 2020 amounted to HUF 2,600m.

Other Women's Healthcare Products

LIDBREE®

An agreement signed in 2017 with the Sweden based company, Palette Life Sciences AB (formerly known as Pharmanest) enabled Richter to further broaden its WHC portfolio.

LIDBREE® topical gel (formerly known as SHACT, or SHort ACTing lidocaine) is a novel delivery technology that provides pain relief on mucosal tissue. In a clinical study conducted in Sweden, LIDBREE® treatment was associated with significant reduction of pain and discomfort in women undergoing gynaecological interventions without causing bothersome side effects.

The agreement covers Europe, Latin America and certain other markets. The registration dossier was submitted to the EMA in the last quarter of 2018 and marketing approvals were subsequently granted beginning in August 2020 for most of the Western European leading markets.

First market launches are expected to take place in the fourth quarter 2021.

4. Biosimilars

Overview

A biosimilar medicine is a biological medicine that is developed to be highly similar to an already authorised biological medicine (the 'reference medicine'). The biosimilar medicines do not have any clinically relevant differences from the reference medicine in terms of quality, safety or efficacy.

By competing with original biologics across a growing range of therapy areas, biosimilars enable stakeholders – including payers, physicians and patients – to benefit from greater choice when it comes to treatment options. An increasing number of manufacturers are investing globally in the development and commercialisation of biosimilars, bringing with this investment the promise of high-quality biologic therapies at a lower cost and hence increasing patient access to such products.

The growing share of biologics within the global pharmaceutical market is reflected in Richter's efforts to further strengthen its biotechnology pillar. Focus remains on successfully developing, manufacturing and commercializing a portfolio of biosimilar products, with a main focus on the rheumatology and osteoporosis fields.

Global biosimilar sales have exceeded USD 10bn, with exponential growth in sales stemming from the patent expiry of multiple biologic blockbusters over the past years. Biosimilar sales predictions for the US market have also increased, presently US biosimilars make up a close to USD 4bn business, which continues to grow.

Biosimilars will also continue to provide significant healthcare savings and as a result will both increase patient access to biologics treatments and allow for healthcare support of an ever increasing number of new biological pharmaceutical products.

Main Projects – Osteoporosis, Rheumatology

TERROSA®, Teriparatide

Teriparatide is biosimilar to the biologically active fragment of the human parathyroid hormone, it replaces the natural hormone and stimulates bone formation. Approved in adults for the same indications as Eli Lilly's FORSTEO®, teriparatide is used for the treatment of osteoporosis as it reduces the risk of bone fracture in various patient groups. Osteoporosis is more common in women after the menopause, and it can also occur in both men and women as a side effect of glucocorticoid treatment.

Following the launch of Gedeon Richter's teriparatide biosimilar in 2019, the first biosimilar teriparatide available on the market, sales and global reach of the product has grown steadily. The biosimilar teriparatide has been developed by Richter-Helm BioTec GmbH & Co. KG, Richter's joint venture company. The product, TERROSA® has been launched via Richter affiliates in Europe and via further commercial partners in Europe. In addition the product has also been launched in Europe by STADA under the label MOVYMIA®.

Subsequent to a licencing-out agreement concluded with Mochida Pharmaceuticals Co. Ltd. the product was launched in late 2019 in Japan.

Terrosa was launched in multiple markets globally, including South Korea, Canada and Israel over the last 15 months. In addition to the above, the product was launched during 2020 by Daewon Pharmaceutical Co. Ltd. in Korea and by Avir Pharma Inc. in Canada, while our Israeli partner, Dexcel Pharma received marketing authorization for the product in the same year. The product is being launched on this market in the first half of 2021.

Sales have grown steadily, despite the COVID-19 pandemic, which did somewhat disrupt launches. Total sales proceeds from teriparatide amounted to HUF 8,615m in 2020. Sales proceeds from Japan contributed HUF 2,558m representing 30 percent of total sales achieved by the product. We expect continued growth in sales in the coming years, as the product gains further market share in many markets and as we launch into further geographies.

Denosumab and Tocilizumab

Richter intends to strengthen its biosimilar portfolio over the coming years with the launch of two further biosimilars in the osteoporosis and rheumatology fields respectively, upon patent expiry of the originator products. One such product is a biosimilar of denosumab (Amgeń s PROLIA® and XGEVA®) and the other is a tocilizumab biosimilar (ACTEMRA® from Roche).

Denosumab is a human monoclonal antibody for the treatment of osteoporosis. Denosumab is a RANKL inhibitor which works by preventing the development of osteoclasts, which are cells that break down bone. It is used for patients with osteoporosis at high risk for fractures, bone loss due to certain medications, and in cancer patients with bone metastases or giant cell tumours of the bone.

The denosumab development will enter clinical phase of development in 2021, the phase III programme is a global programme. An improvement of production process and scaling up took place during 2020.

Tocilizumab is a biological product used in the treatment of rheumatoid arthritis. The product is also approved for the treatment of giant cell arthritis and CAR-T cell-induced cytokine release syndrome. It is available in both subcutaneous and intravenous formulations.

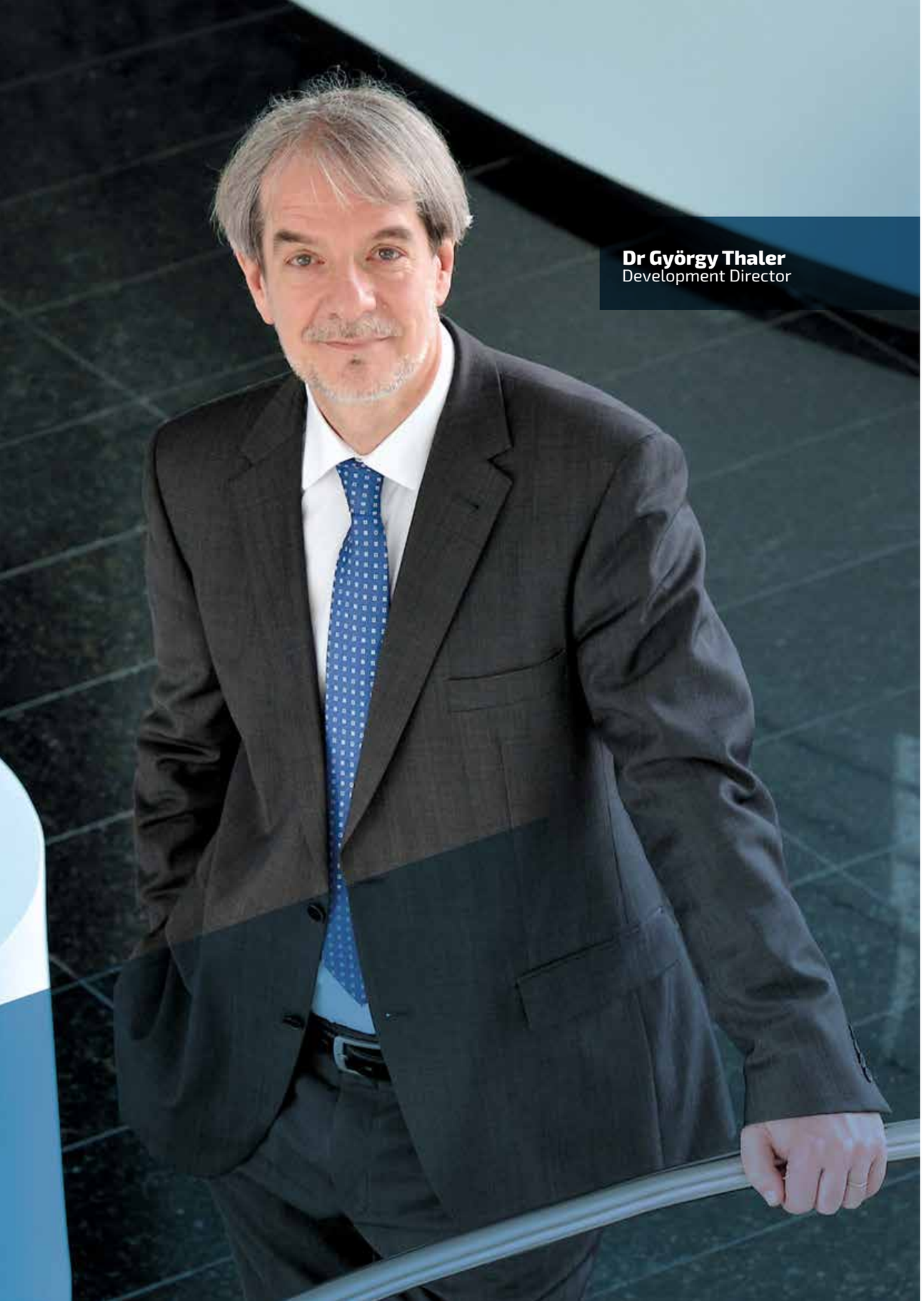
The tocilizumab biosimilar development follows the acquisition in April 2020 of such an asset from the Taiwanese company Mycenax, its CMC (Chemistry, Manufacturing and Control) development programme is expected to be completed in 2021 with a clinical development programme to be followed.

In October 2020 Richter entered into a license agreement with Mochida Pharmaceutical Co. Ltd. in respect of Richter's biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement Mochida received rights to develop, manufacture and commercialise the product in Japan.

Clinical trials due upon the successful completion of the CMC programme will be carried out by Richter in partnership with Mochida.

Pegfilgrastim

Richter decided at the beginning of 2020 to discontinue its pegfilgrastim (Amgen's NEULASTA®) biosimilar development programme.



Biosimilar Manufacturing and Related Capital Expenditure

Drug product manufacturing of Richter's other biosimilar product besides teriparatide, BEMFOLA® was transferred to the company's biologics manufacturing site in Debrecen, Hungary in the second half of 2020. This second manufacturing site strengthens supply chain reliability and capability for this important women's healthcare portfolio, fertility product.

At the Company's Debrecen facilities, a new drug substance production line comprising of single-use bioreactor capabilities became fully operational in 2020. The site infrastructure was further extended with a new office and social building, including on-site conference and catering capacities.

As a result of the new, second independent drug substance manufacturing line, the Debrecen drug substance plant becomes multi-faceted, allowing for parallel production lines and providing multiple technologies, which together with the fill & finish facility complemented by development and Quality Control (QC) laboratories can meet all the biomanufacturing needs of both Richter portfolio products and external client needs.

Therapeutic Protein Development for COVID-19

In March 2020 a consortium of four Hungarian research and pharmaceutical development organisations was formed being funded by NKFIH (National Research, Development and Innovation Office) and lead by Eötvös Loránd University and comprises of University of Pécs, Richter Gedeon Plc., and ImmunoGenes Ltd.) to develop a therapeutic agent for COVID-19. The drug substance being developed, an ACE2-Fc fusion protein is similar to a monoclonal antibody and can neutralise the spread of the SARS-CoV-2 virus in infected patients. Initial preclinical results at the University of Pécs' virology department have shown that the ACE2-Fc protein inhibits infection of SARS-CoV-2 in in vitro cell cultures as shown by virus neutralisation assays and show inhibition of COVID-19 symptoms in animal models. Further steps of the preclinical programme are underway.

Additional information on further therapies developed by Richter against COVID-19 pandemic can be found on page 85.

5. Branded and Traditional Generics

Overview

Richter's business model is supported by its vertically integrated research, development, manufacturing and distribution capacities complemented by selective licensing agreements. Licensing-in has become an important route for the Group to renew its product portfolio.

Approximately 40 percent of core Pharmaceutical sales originate from this product group and the strategic aim of this pillar is to ensure critical mass of the turnover and sustained margins for the Group's operations across its geographies.

Portfolio Expansion

Licensing-in activity has become the most important means of maintaining our Branded and Traditional Generics portfolio but in-house development remains an important source of new product launches.

Development of branded generic products has continued during the year in review. Most important results include the successfully completed bioequivalence studies in respect of RIVAROXABAN and DABIGATRAN for EU markets and the MAA filings for SITAGLIPTIN, SITAGLIPTIN-metformin and VIDAGLIPTIN-metformin. VIDAGLIPTIN was granted marketing authorization during 2020. Non-steroid generic development activities are carried out almost exclusively at Richter's two subsidiaries, Gedeon Richter Romania and Gedeon Richter Polska.

It is important to mention at this point that as a response to the challenges posed by the COVID-19 pandemic Richter launched a number of programmes to address the disease. The most important of these was the record speed development of remdesivir, which has already advanced into a clinical trial phase involving high numbers of patients.

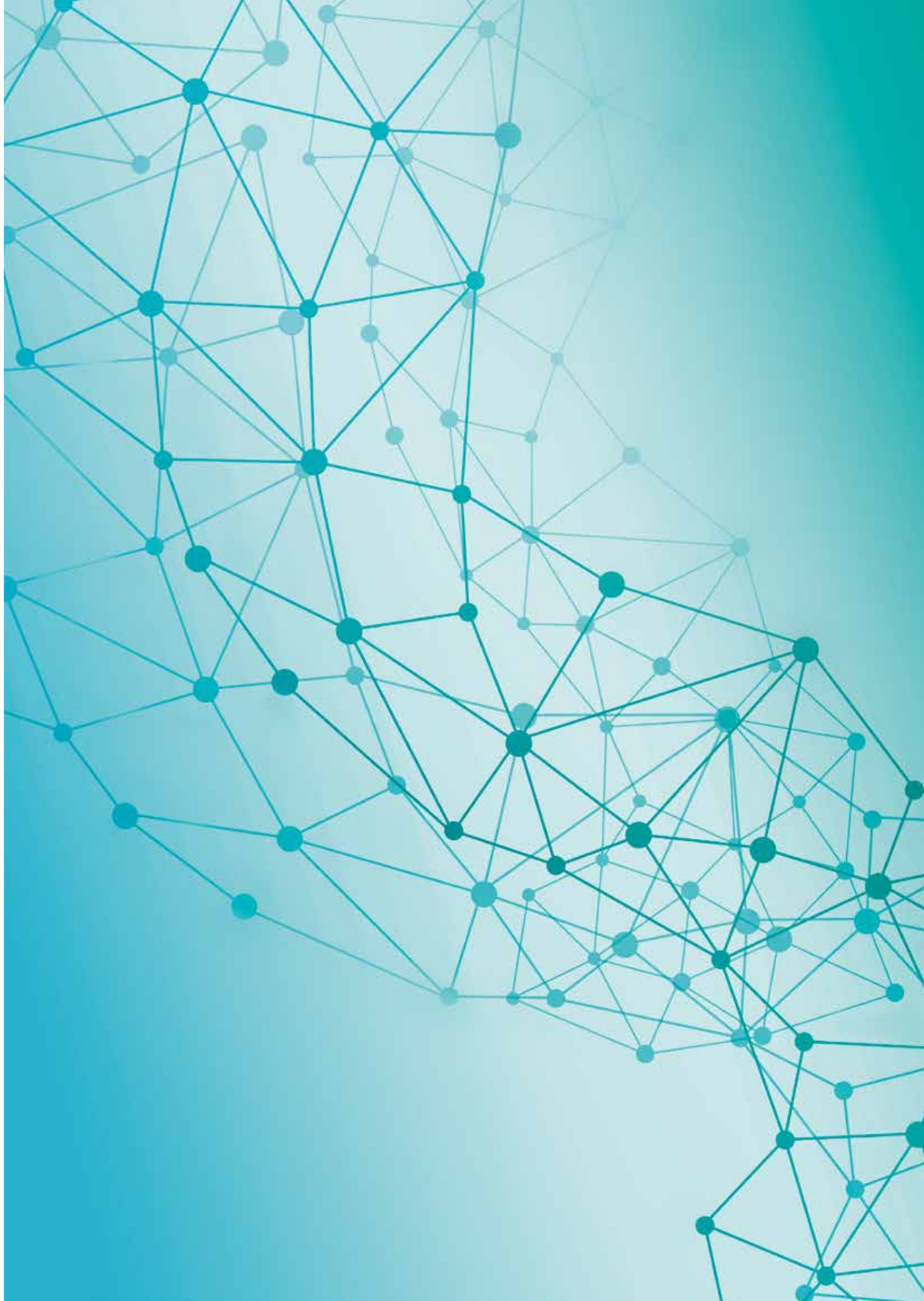
Six new products were licensed-in during 2020 keeping the total number of distributed licensed-in generic products around the level of 15.

Main Licencing-in Partners of Richter

Company	Country	Product	Therapeutic area
Acrux	Australia	LENZETTO®	Women's healthcare, hormone replacement therapy (spray)
AbbVie/Allergan	USA/Ireland	VRAYLAR®, LEVOSERT®, several products	Gastrointestinal, Urology, Women's healthcare, Central nervous system
Almirall Prodesfarma	Spain	AFLAMIN	Non-steroid antiinflammatory
Astellas	Japan	SUPRAX	Antibiotic
Helm AG	Germany	FENTANYL patch, estradiol vaginal tablet (VAGISOFT), BELSANOR (solifenacin) tablet, ASSIMIL (agomelatin) tablet, COSIM (lacosamid) tablet	Oncology, Women's healthcare, Urology, Central nervous system, antipsychotic, antiepileptic
Hikma	Jordan	REAGILA®	Central nervous system, antipsychotic
Janssen	Belgium	several products	Central nervous system, Antifungal, Antibacterial
L.D. Collins	United Kingdom	CYCLOGEST®	Women's healthcare, fertility
Medinova	Switzerland	FLUOMIZIN, GYNOFLOR	Women's healthcare, gynaecological infections
Mithra	Belgium	DROVELIS® (ESTELLE®), TIBOLONE	Women's healthcare, oral contraceptive, hormone replacement
Mitsubishi-Tanabe Pharma Corporation	Japan	REAGILA®	Central nervous system, antipsychotic
Pantarhei	Netherlands	combined ARC oral contraceptive	Women's healthcare, oral contraceptive
Palette Life Sciences AB (Pharmanest AB)	Sweden	LIDBREE® (SHACT)	Women's healthcare, topical analgesic (gel)
Prima Temp	USA	AYOLA® Ring (PRIYA Ring)	Women's healthcare, infertility
ProStrakan, Kyowa Kirin	United Kingdom	LUNALDIN	Oncology
Recordati S.p.A	Italy	REAGILA®	Central nervous system, antipsychotic
Sanofi-Aventis	France	TARIVID	Antibiotic
Teva / Medis	Iceland	ATORVOX, NEBIBETA, TANYDON HCTZ, SILDEREC	Cardiovascular, Urology
Procare Health	Spain	PAPILOCARE	Women's healthcare, HPV
Mycovia Pharmaceuticals	USA	oteseconazole	Women's healthcare, vaginal infections
Myovant Sciences	Switzerland	RELUGOLIX®	Women's healthcare, uterine fibroids, endometriosis

Sales performance of our branded generic and traditional portfolio was adversely impacted during the year in review by the COVID-19 pandemic. Unpredictable forestalling of the population and rapidly changing wholesaler stock levels were further aggravated by difficulties experienced both in the sales representative-GP direct contacts and in the patient-healthcare provider meetings. At the same time certain products (for instance the antiviral GROPRINOSIN) showed extraordinary sales growth as patients often tried to use them as a treatment against the virus.

Certain administrative measures implemented primarily in China (delisting of CAVINTON from the reimbursement lists) and in Russia (serialization and price harmonization) also materially impacted the weak performance of this product group.



6

BUSINESS SEGMENTS

Dr Gábor Gulácsi
Chief Financial Officer

Business Segments Information

	Pharmaceuticals		Wholesale and retail		Other		Eliminations		Group total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
P&L items HUFm										
Revenues	**457,264**	**407,342**	**119,779**	**109,246**	**6,919**	**6,642**	**(17,186)**	**(15,436)**	**566,776**	**507,794**
Cost of sales	(150,241)	(140,861)	(108,286)	(98,810)	(6,057)	(5,762)	16,578	15,418	(248,006)	(230,015)
Gross profit	307,023	266,481	11,493	10,436	862	880	(608)	(18)	318,770	277,779
Profit from operations	**114,482**	**38,835**	**975**	**734**	**238**	**340**	**(606)**	**(13)**	**115,089**	**39,896**
Net financial (loss)/income	5,265	12,076	(1,567)	(468)	14	4	(4,537)	(1,318)	(825)	10,294
Miscellaneous items										
Capital expenditure HUFm	65,733	57,350	693	537	214	198	(2)	-	66,638	58,085
Number of employees at the end of the period	11,001	11,090	1,418	1,512	423	423	-	-	12,842	13,025
Business metrics %										
Gross margin	67.1	65.4	9.6	9.6	12.5	13.2	-	-	56.2	54.7
Operating margin	25.0	9.5	0.8	0.7	3.4	5.1	-	-	20.3	7.9

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

7

SUSTAINABILITY OVERVIEW

1. PRODUCT RESPONSIBILITY

The Health and Safety of our Customers

In all phases of our pharmaceutical manufacturing and development activities and throughout the entire life cycle of our products, our primary goal is to protect the health and safety of our consumers. This commitment was also published in our Quality Assurance Policy Statement by our senior executives.

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

In manufacturing, we devote particular attention to compliance with the applicable technological and quality assurance regulations, as well as with domestic, European and other international laws and requirements. Our manufacturing operations and quality assurance system are regularly inspected by competent Hungarian and foreign authorities at both the parent company and our manufacturing subsidiaries.

Inspections and Audits

It is very important for us to maintain a good relationship with our partners, and first of all to preserve the honourable confidence of patients and doctors in our products. Therefore, we place great emphasis on investigating every remark and complaint received and preventing the reoccurrence of problems of a similar nature.

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

In 2020 at our Budapest site we successfully passed the regulatory inspection conducted by the Medical Device Certification GmbH, while at our Debrecen site the National Institute of Pharmacy spent 2 days.

Audits conducted by our partners took 20 days at our Budapest, Dorog and Debrecen sites.

The Polish subsidiary did not have regulatory inspections due to the pandemic situation while the Parent Company conducted 19 internal audits during the reported period. Additionally, we completed customer audits conducted by 5 partners. The Russian subsidiary successfully passed the Authority audit, which extended our GMP certificate and provided the manufacturing licence for PREGABALINE. Our Romanian subsidiary completed 2 remote access partner audits and successfully passed ISO 9001, 14001 and 45001 certificates during the reported year.

We received no significant observations, except some proposals during the inspections and audits.

We operate a comprehensive quality management system based on the requirements of the current GMP (Good Manufacturing Practice) guidelines, which includes risk management for the design, development and regulation of all products, devices and processes that may be a source of danger either for patients or for the Company. As we give priority to developing and harmonising the efficiency of the quality assurance system across the entire Group, we monitor the operation of our subsidiaries continuously and seek to develop the most consistent approach and procedures possible.

We monitor the quality of our products on a daily basis and evaluate it every year. Daily monitoring gives us the opportunity for immediate intervention even in the event of a very small discrepancy.

In order to achieve our strategic goals, we involve all our employees in quality activities, planning, and the application and control of GMP guidelines, thus helping to maintain an advanced quality approach with all employees of the Company. We facilitate this by providing our employees with regular training, keeping them well informed and providing working conditions that satisfy the relevant requirements.

Evaluation of the materials purchased from manufacturers and used in production is an important part of our quality assurance system. When selecting partners, the production of high-quality products and the use of a well-functioning quality assurance system are both crucial factors. We verify this by conducting on-site audits of our suppliers/manufacturers at the holding level.

In accordance with GMP regulations, we identify the manufacturers of purchased materials by consulting the distributors and, where possible, we purchase directly from the manufacturers.

To ensure compliance with licensing requirements, we operate a strict change monitoring system. The purpose of this is to ensure that changes can only be introduced to our procedures if they have been considered from every possible angle by our experts prior to introduction and have been found to have no influence or a positive effect on the quality of our products. These changes may affect manufacturing technology, suppliers, packaging materials, regulations, etc.

We only distribute our products through sales partners who have a valid manufacturing and/or wholesale trading licence. We cooperate with domestic manufacturers, wholesalers and other organisations in an effort to prevent counterfeit products, which could even endanger patients' lives, from being introduced to the market. For this purpose, we serialize our packaging for the European market and for more and more other countries, which means a special packaging technique using an antitampering device (seal) and a unique identifier on our products. Besides we thoroughly investigate the concerning alerts coming from the supply chain. We regulate the disposal of products and packaging materials to be scrapped by observing safety regulations. We pay close attention to and investigate quality reports where counterfeiting may occur. We are continuously monitoring the web in a proactive manner based on risk assessment in order to observe the illicit trade of our products and we take the necessary measures if needed.

Objectives 2021

- The first phase of the introduction of a new system to support quality assurance was completed. Parallelly with the start of the second phase the extension of the already introduced modules to the affiliates and representation offices will be launched.
- After a successful pilot project, the implementation of a laboratory information management system was started.

Pharmacovigilance

The essence of pharmacovigilance is the continuous monitoring and evaluation of the benefit-risk ratio of medicines and, on this basis, ensuring the correct and safe use of medicines. This allows the right patient to receive the right medicine at the right time, in the right way/under the right conditions, based on the latest and most complete (efficacy and safety) information available from the manufacturer/distributor of the medicine. We monitor our products globally in the real world market environment. We ensure that the medicines are used in accordance with the most recent instructions for use and register any unexpected outcomes and undesirable side effects that might occur in the course of their use. Pharmacovigilance pervades the operation of all units of the Group, from research and development/product development activities through clinical-medical tasks, registration, marketing up to and including quality management activities.

The entire Group participates in this monitoring activity and operates a pharmacovigilance system with quality assurance covering all its members. It monitors any change in the benefit-risk ratio of medicines throughout their life cycle and informs both the authorities and healthcare professionals and patients of such a change.

Richter has been using an IT system complying with international standards for 10 years now to support the collection, transmission and analysis of information. It enables pharmacovigilance professionals to continuously analyse incoming data. This activity is performed in line with the pharmaceutical authorities of the European Union, and the information is mutually shared in compliance with our statutory obligations.

At the Group level, nearly 12,000 safety reports were recorded and managed in our system in 2019, and nearly 13,500 in 2020.

Because no medicine is free of side effects, we believe that our activities, aimed at gaining the most precise understanding of the risk-benefit ratio of our medicines, protect both our patients and our products. Our total commitment is expressed clearly in our Pharmacovigilance Policy. We perform our activity subject to quality management system standards, in accordance with internationally accepted guidelines of Good Pharmacovigilance Practices. In accordance with legal requirements, the Company employs a Qualified Person Responsible for Pharmacovigilance (QPPV) who oversees the compliant operation of the pharmacovigilance system and has personal responsibility for the adequate performance of the pharmacovigilance activities. The person responsible for Pharmacovigilance is accompanied by a dedicated and professional team at international level to ensure that the Company's global pharmacovigilance system works effectively and properly.

Developments in pharmacovigilance systems in 2020 are linked to all six strategic pillars.

Case Management and Central Safety Database:

- In the operation of the case management system, which is the basis of the pharmacovigilance system we could achieve a significant increase in efficiency. We managed to reach a significant milestone in the operation of the case management system with the introduction of 7-day processing of incoming cases, which strongly contributed to the significant and lasting growth in regulatory PV compliance indicators. Simultaneously, we tightened up the operational and professional supervision of the Service Providers performing the related tasks ensuring continuous quality control and feedback. As a result, pharmacovigilance case management system was able to achieve a cost reduction of about 30 percent, while maintaining and even improving regulatory PV compliance indicators (compliance was over 95 percent in 2020).

Signal and Risk Management:

- In 2020, the regular (weekly and monthly) monitoring system introduced in the second half of 2019 for the Company's key products in terms of pharmacovigilance became one of the key alert tools of the pharmacovigilance system.
- Another important step in informing subsidiaries / offices and keeping product information up-to-date is that pharmacovigilance colleagues in overseas countries are notified on a monthly basis, routinely of new signals and immediately when a new pharmacovigilance risk is identified. This system increases the transparency of all members of the Group and thus also the trust in the Budapest Centre.
- The entire signal management system was reviewed with a support of an independent, external consultant company. Based on this review we have designed a development schedule for the coming years.

Global Pharmacovigilance System Compliance:

- At the beginning of 2020, a much more efficient compliance monitoring process was introduced for the continuous, structured monitoring of regulatory and internal pharmacovigilance compliance indicators. This ensures the proper oversight of the Qualified Person Responsible for Pharmacovigilance (QPPV) over the entire pharmacovigilance system performance, as well as the detection of possible deviations, reductions in compliance indicators in time, the identification of the causes and the necessary corrective and / or corrective measures and takes preventive action over time.

Global Operation of the Pharmacovigilence System:

- Cooperation with subsidiaries and offices was further strengthened, and the Centre's (HQ) supporting and guiding role was further developed in 2020.
- With the assistance of external consultancy company with significant international experience in the field, we assessed the feasibility and potential for a Region Europe (Affiliate) Pharmacovigilance Centre (HUB), the introduction of which could be a significant business and cost-effective unit in the coming years.

Objectives 2021–2022

- Ensure continuous operational excellence in the Pharmacovigilance system.
- Implement Region Europe (Affiliate) Pharmacovigilance Centre (HUB), which could be a significant business and cost-efficiency factor in the operation of the global PV network.
- Identifying coordinated and robust processes based on the same principles and methods for all subsidiaries and representative offices, which ensures that the quality assurance system is ready for inspection and immediate response at any moment.
- Ensuring consistent, efficient and fast communication both within the Company and with authorities and medicine users across the entire Group to guarantee safe use of pharmaceutical products.
- Extending robust risk management activities to the entire product portfolio on a global scale.

2. 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.

No serious work-related injuries or mass accidents or exposure occurred in 2020, nor did the inspections of the supervisory authorities reveal any deficiencies in the Company's activities.

We completed the supervisory audit of the Occupational Health and Safety Management System (OHSMS) and we started the mandatory transition to the OHSMS MSZ ISO 45001:2018 standard. The MEBIR processes were also operated in the COVID situation.

The Security Laboratory has retained its two-site accredited status.

In addition to dealing with the COVID-19 pandemic situation, it should be emphasized that the department has successfully completed the analysis and data reporting to renew the obsolete MEBIR SW environment with the support of IT and an external partner. Implementation is expected to be a multi-year process starting in 2021.

Occupational Health and Safety Management System (MEBIR)

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

The management of Richter is committed to the perpetual improvement of the organization's health and safety performance, to comply with current legislation and other requirements, and to ensure the prevention of occupational injuries and illnesses also in the future. It is the responsibility of work supervisors to familiarise themselves with the risks of any given workplace in their area and to manage and control workplace tasks accordingly. Workers have the right to demand safe working conditions and they have the obligation to comply with the health and safety regulations at work.

All our manufacturing subsidiaries operate in accordance with systematic occupational safety management and regulations. Gedeon Richter Romania has established and certified its Occupational Health and Safety Management System according to ISO 45001 and our Indian company, Richter Themis, has also been certified and audited in accordance with local regulations.

Representation of employees' interests with respect to occupational health and safety is performed by elected safety representatives under the leadership of the Safety Committee.

Occupational Accident Indicators

	Budapest, Vecsés		Dorog		Debrecen		RTML	
	2020	2019	2020	2019	2020	2019	2020	2019
Incapacity exceeding 3 days	48	53	9	13	0	1	2	0
Occupational accidents by 1,000 persons (frequency indicator)	10.8	11.5	8.53	12.39	0	3.13	5	0
Sick leave days per 1,000 persons	293.5	235.3	129.86	178.3	0	53.29	55	0
Sick leave days per 1 accident (severity indicator)	27.1	20.4	15.22	14.38	0	17	11	0

	GR Romania		GR RUS		GR POLSKA	
	2020	2019	2020	2019	2020	2019
Incapacity exceeding 3 days	0	0	1	0	3	3
Occupational accidents by 1,000 persons (frequency indicator)	0	0	1.8	0	3.69	5.82
Sick leave days per 1,000 person	0	0	27.2	0	27.06	530.1
Sick leave days per 1 accident (severity indicator)	0	0	15	0	2.75	91

Occupational Accidents by Type

	Budapest		Dorog		Debrecen		RTML	
	2020	2019	2020	2019	2020	2019	2020	2019
Falling, slipping	10	14	4	2	0	1	3	0
Cuts, punctures	3	3	1	3	0	3	21	0
Skin corrosion, poisoning	2	1	0	0	0	0	0	0
Burns, scalding	2	3	0	1	0	0	3	0
Eye injures	1	0	1	0	0	0	1	0
Blunt trauma, crushing or trapping	14	22	3	2	0	2	2	0
Other (strained joints, sprains)	16	10	0	5	0	0	4	0
Mechanical, technological	0	0	0	0	0	0	0	0

	GR Romania		GR RUS		GR POLSKA	
	2020	2019	2020	2019	2020	2019
Falling, slipping	0	0	0	0	2	2
Cuts, punctures	0	0	1	0	0	0
Skin corrosion, poisoning	0	0	0	0	1	0
Burns, scalding	0	0	0	0	0	0
Eye injures	0	0	0	0	0	0
Blunt trauma, crushing or trapping	0	0	0	0	0	0
Other (strained joints, sprains)	0	0	0	0	1	1
Mechanical, technological	0	0	0	0	1	0

Sick Leave Days due to Accidents

	2020	2019
Budapest	1,303	1,081
Dorog	137	187
Debrecen	0	17
RTML	22	0
GR Romania	0	0
GR RUS	15	0
GR Polska	22	226

3. ENVIRONMENTAL PROTECTION

Our role as a healthcare provider is not limited to providing medication to patients. We recognise that the environment that people live in is as much part of our care as the treatment of their illnesses.

Our Company is committed to reducing its environmental impact. To this end, environmental criteria are built into research and development, operational processes and capital expenditure decisions. In order to reduce environmental risks, we operate an environmental management system in Hungary and regularly review our energy supply concept to ensure sustainable, secure energy supply. The fulfilment of environmental requirements is supported by our environmental policy, internal regulations, international standardised and certified management systems, quality assurance systems, and internal audits.

Environmental Management

The site in Budapest is responsible for the entire vertical chain of pharmaceutical production (R&D, production and storage of active substances and finished dosage products), while in Dorog only active substances are produced, and in Debrecen active substances and packaged drugs based on a biotechnological process are manufactured. Due to the special nature of biotechnology, the environmental risk of production in Debrecen is considered to be insignificant.

In 2020, the Company's Environmental Management System underwent a successful ISO 14001 re-certification audit at the launch of another cycle.

Key Environmental Targets

To attain the goals set out in our Environmental Policy, targets have been identified, broken down into five-year periods, and programmes drawn up to achieve them. Our current goals cover the period 2017–2022. The main goals of the period are to preserve the results achieved to date and maintain the low level of environmental emissions. We will continue to develop the technical infrastructure of production technologies and modernise technological equipment, the sewage network, wastewater treatment and material storage facilities. One of the most important goals of our Environmental Policy and statutory regulations is that our applied techniques and technical conditions should, as in previous years, represent the highest production standards (Best Available Techniques, BAT).

Enviromental Penalties

The competent authorities check annually the implementation of the provisions of the Integrated Pollution Prevention and Control (IPPC), combined with on-site inspections. The audits raised only minor objections, and we provided the required answers in due time. There has been only one fine imposed in a case that occurred in 2019 at GR RUS.

Climate Protection

We are aware of the environmental impact of energy and water usage. Therefore, as set out in our Energy Policy, we strive to minimise them, thus contributing to the accomplishment of the climate policy goals set in international conventions. Richter shares the growing global concerns about the consequences of climate change and is committed to sustainable development which strikes the right balance between environmental protection and economic growth.

During the operation, maintenance and development of our energy supply systems at our Company's sites and at those of subsidiaries, we pay particular attention to the aspects of energy efficiency, operational safety and environmental protection, and to compliance with the legislation relevant for the energy sector. Richter has

decided to introduce the MSZ EN ISO 50001 Energy Management System, which will be phased in by the parent company in the years up to 2024 and gradually by subsidiaries thereafter.

In order to reduce our environmental footprint, we strive to increase energy efficiency and the use of renewable energy sources, and to reduce our carbon dioxide emissions. To this end, the following comprehensive modernisation programmes are being implemented:

- We use high-efficiency and low-emission burners in our combustion equipment and strive for maximum heat recovery.
- We reduce the electricity demand of our fluid technology machines by using modern power control and electric motors with low energy consumption.
- As for the transformation and development of cooling systems, our task is to meet the increasingly stringent requirements for coolants that create a greenhouse effect and are highly damaging to the ozone layer.
- Aiming towards reducing losses, the size of distribution systems and power lines for the transmission of energy is optimised and the insulation is renewed.
- With energy process monitoring in mind, we are constantly improving our energy measurement systems.
- We improve our building energy performance by using thermal insulation, shading and energy-saving lighting.
- Hybrid and electric vehicles account for an increasing proportion of our vehicle fleet.
- In order to increase the use of renewable energy sources, we plan to install small and medium-sized solar parks, and we want to use heat pump technology based on the use of geothermal and other heat sources more widely to heat buildings.
- We will mitigate our carbon dioxide emissions by reducing our heat needs and heat losses and upgrading our combustion technology equipment. We measure and calculate carbon dioxide emissions at our subsidiaries and our sites in accordance with the industry and legal regulations. Where required, results are verified by an independent organisation.

Water Consumption and Effluent Discharge

To reduce our water consumption, we are taking the following steps:
- The amount of fresh water used for cooling is reduced by increasing the proportion of recirculation water.
- We increase the utilisation rate of condensate by reducing the amount of or purifying contaminated condensate.

In Budapest, wastewater of technological origin – after local treatment, if necessary – is discharged into wastewater pre-treatment units. The pre-treated wastewater is mixed with other waters before reaching the urban sewage network, and then, after significant dilution, they are discharged into the South-Pest multi-stage biological wastewater treatment plant, the final recipient of which is the River Danube.

In Dorog, rainwater, communal wastewater and technological wastewater are collected and drained via separate networks. All the technological wastewater generated on site is discharged to a multi-stage biological treatment plant, the final recipient of which, along with the purified water released by the urban water treatment plant, is the River Danube. In 2020, by installing a decanter centrifuge, we made it possible to reduce the water content of the sewage sludge generated in the wastewater treatment plant, which resulted in a reduction in disposal costs.

The site in Debrecen has a segregated drainage network. Communal and pre-treated technological wastewater is discharged into the industrial park's drainage network and ultimately, into the city's wastewater treatment plant. In 2020, a new averaging basin for the wastewater treatment was put into operation providing compliance with the quality and quantity of wastewater emitted.

Our water discharge has no substantial impact on the natural waters into which it is discharged.

Pharmaceuticals in the Environment

Out of the 3 active substances appearing in surface waters and monitored by the European Union, Richter works with steroid APIs. Based on extensive studies, it has been established that the sources of active substances in the environment are as follows:
- 70 percent from human excretion,
- 20 percent from the active substances released into landfill from unused medicines going to municipal waste from the population,
- 10 percent from wastewater from manufacturers' premises.

While the above facts do not reduce manufacturer responsibility, the emphasis in resource allocation is on increasing the efficiency of urban wastewater treatment plants. Our Company fully supports these efforts and we take advantage of the opportunities for cooperation. In order to expand our knowledge, we examined our discharged wastewater for the above active substances, and a pilot project was launched to break down pollutants.

Raw Materials Use

The quality and quantity of chemicals and solvents used by our Company are primarily determined by the laws of physics and chemistry that apply to the procedure. A significant part of the materials used is solvent, known as Volatile Organic Compound (VOC), almost half of which is recycled, i.e., funnelled back into production without treatment or after purification.

Highly dangerous substances are only used as reaction partners in accordance with legal requirements and only when they cannot be substituted technologically or economically by any other materials, or if their alternatives would be even less acceptable in terms of environmental or health protection. In these cases, we create a safe manufacturing environment for the process.

Air Pollution

In the past few years, we have introduced a number of technical solutions for reducing emissions of air pollutants, primarily of volatile organic compounds (VOC). The technical standard of production equipment meets BAT (Best Available Techniques) requirements. For reducing emissions of other, non-solvent materials, we apply absorbers, filters with appropriate efficiency, catalytic burners and other equipment. We comply with the legal requirement for emissions, and we achieve a significantly lower loss rate than required.

Waste Management

A significant proportion of the waste produced in the pharmaceutical industry is classified as hazardous waste. This waste is transferred to licensed waste disposal plants. Waste disposal is, for the most part, implemented by incineration. Any hazardous waste that cannot be disposed of in any other way is taken to a permanent disposal facility. We do not export or import hazardous waste. In compliance with the requirements of modern waste management, we strive to increase the share of recyclable waste.

In order to improve our waste management, we have built a new facility for waste collection in Debrecen, while a new central waste collection facility was also planned in Budapest.

Following the success of the office selective waste collection pilot project we have extended it for the whole site. Meanwhile the centralisation of our waste management system also started.

The Activities of Our International Manufacturing Subsidiaries

Of the subsidiaries of our Company, GR RUS (Russia), GR Polska (Poland) and GR Romania (Romania) are engaged in the production of finished dosage products only. This type of activity is very strictly regulated in terms of quality assurance standards that involve a number of regulations, which at the same time ensure that these companies can be regarded as moderate-risk businesses from the point of view of both environmental protection and occupational health. This is further reinforced by the fact that most of the materials used are typically incorporated into the product, with only a very small proportion of them ending up as waste that needs to be disposed of.

In our Indian facility (RTML) active pharmaceutical substances are produced, which is a chemical activity and as such, its risks can be considered as significant. In terms of production processes, the factory can be compared to our pharmaceutical manufacturing plant in Dorog, supplemented with all the service functions needed to operate an independent facility (storage, logistics, energy supply, wastewater treatment, etc.). Our specialists in Hungary also participated in developing the design of the production plant, specifying the technical parameters of the equipment (BAT), and implementing the transferred production technologies locally. During the implementation of the project, adaptation to the typically different weather conditions, standards and (work) culture was a major challenge.

Maintaining/improving water quality is a key priority for India, and for this reason, the quality requirements for effluent wastewater are constantly being tightened. In order to comply with regulations, high solvent and organic matter content from the effluent flows deriving from production is isolated and treated separately, so that they are not directly introduced into the biological wastewater treatment process.

Our Indian subsidiary also has an environmental management system (environmental policy, goals, programmes, procedures) in place, but this system is not yet certified.

All our subsidiaries are committed to protecting the environment and reducing the environmental impact of their operations. To this end, GR Romania has also started to implement an environmental management system based on the ISO 14001 standard. Other subsidiaries also have environmental organisations, regulations and development programmes.

Their environmental emissions are monitored in accordance with local regulations and the data are transmitted to the authority and to the parent company's environmental department.

In order that employees are aware of the external and internal expectations related to environmental protection, as well as their own place/tasks in the operation of the system, each subsidiary includes this knowledge in its training programmes.

Costs and Expenditures

Environmental Investment

2020

	Budapest (HUFm)	Dorog (HUFm)	Debrecen (HUFm)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
Total environmental investment (direct and indirect)	**3,106,554**	**2,551,859**	**31,106,899**	**7,586,843**	**42,000,339**	**520,690**	**19,936,721**
Environmental part (direct + environmental part of indirect)	262,826	319,944	980,912	109,940	33,726,063	111,221	1,878,062
Sum of direct env. Investments	56,405	280,786	645,840	85,641	32,328,236	106,943	0
Air emission	-	33,754	-	-	-		-
Water discharge	-	5,000	-	-	32,328,236	97,443	-
Soil, groundwater contamination	48,992	65,970	-	12,848	-		-
Hazardous waste	1,350	152,049	645,840	-	-		-
Other	6,063	24,013	-	72,794	-	9,500	-
Sum of indirect env. Investments	3,050,149	2,271,073	30,461,059	7,501,201	9,672,103	413,747	19,936,721
Enviromental part of the indirect env. investment	206,421	39,158	335,072	24,299	1,397,827	4,278	1,878,062

2019

	Budapest (HUFm)	Dorog (HUFm)	Debrecen (HUFm)	GR Romania (RON)	GR RUS (RBL)	GR Polska (PLN)	RTML (INR)
Total environmental investment (direct and indirect)	**2,324.6**	**3,161.8**	**402.2**	**105,408**	**40,581,127**	**80,308**	**12,698,910**
Environmental part (direct + environmental part of indirect)	482.4	477.9	229.0	104,803	22,008,924	7,051	2,492,603
Sum of direct env. Investments	283.2	446.6	227.4	104,579	18,028,692	0	0
Air emission	0	41.4	0	0	0	0	0
Water discharge	114.4	323.7	177.6	0	17,411,026	0	0
Soil, groundwater contamination	134.4	58.4	13.4	0	0	0	0
Hazardous waste	1.2	21.8	0	0	617,666	0	0
Other	33.3	1.4	36.5	104,579	0	0	0
Sum of indirect env. Investments	2,041.4	2,715.1	174.8	829	22,552,435	80,308	12,698,910
Enviromental part of the indirect env. investment	199.1	31.3	1.6	224	3,980,232	7,051	2,492,603

Materials Used

2020

	Unit	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Purchased chemicals	t	5,713	10,958	101	616	536	371	417	**18,712**
of which purchased solvents	t	2,686	4,074	3	29	97	24	1,801	**8,714**
of which recycled solvents	t/year	3,180	11,927	-	0	0	8	1,029	**16,144**
Ratio of recycled solvents	%	54%	75%	0%	0%	0%	25%	36%	

2019

	Unit	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Purchased chemicals	t	5,362	6,409	107	555	368	246	327	**13,374**
of which purchased solvents	t	2,510	4,309	15	27	28	19	2,097	**9,005**
of which recycled solvents	t/year	3,083	6,695	-	0	0	7	943	**10,728**
Ratio of recycled solvents	%	55%	61%	0%	0%	0%	27%	31%	

Energy Use

2020

	Unit	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Direct									
Natural gas	GJ	359,952	12,913	78,706	56,992	62,551	29,831	0	**600,945**
Furnace oil	GJ	0	0	794	0	1,312	0	2,165	**4,271**
Coal	GJ	0	0	0	0	0	0	133,531	**133,531**
Indirect									
Steam	GJ	315,335	233,077	0	0	0	0	0	**548,412**
Other	GJ	18,667	197	0	0	0	0	0	**18,864**
Electrical energy	MWh	82,335	27,481	12,880	7,429	9,170	6,324	8,820	**154,439**

2019

	Unit	Budapest	Dorog	Debrecen	GR Romania	GR RUS	GR Polska	RTML	Total
Direct									
Natural gas	GJ	408,740	11,691	120,323	54,558	60,163	28,120	0	**683,595**
Furnace oil	GJ	0	0	1,163	0	860	0	3,931	**5,954**
Coal	GJ	0	0	0	0	0	0	107,494	**107,494**
Indirect									
Steam	GJ	305,072	257,151	0	0	0	0	0	**562,223**
Other	GJ	24,058	158	0	0	0	0	0	**24,216**
Electrical energy	MWh	81,381	26,924	11,876	7,678	8,918	6,460	8,472	**151,709**

Generated Waste

		2020							
	Unit	**Budapest**	**Dorog**	**Debrecen**	**GR Romania**	**GR RUS**	**GR Polska**	**RTML**	**Total**
Hazardous waste incineration	t	3,406	2,262	106	21	116	0	92.1	**6,003**
Hazardous waste utilisation	t	3,044	12,560	-	0	219	15	589.1	**16,427**
Non-hazardous industrial waste	t	1,034	410	17	184	114	153	N/A	**1,912**
Municipal waste	m^3	2,629	369	114	404	544	491	N/A	**4,551**

		2019							
	Me.	**Budapest**	**Dorog**	**Debrecen**	**GR Romania**	**GR RUS**	**GR Polska**	**RTML**	**Total**
Hazardous waste incineration	t	2,827	1,791	78	1	2	0	490	**5,189**
Hazardous waste utilisation	t	3,575	9,598	-	7	89	10,7	408.7	**13,689**
Non-hazardous industrial waste	t	1,071	276	-	74	154,6	246	N/A	**1,822**
Municipal waste	m^3	2,950	456	160	362	450	611	N/A	**4,989**

Enviromental Penalties

	2020						
	Budapest (HUF)	**Dorog (HUF)**	**Debrecen (HUF)**	**GR Romania (RON)**	**GR RUS (RBL)**	**GR Polska (PLN)**	**RTML (rupia)**
Wastewater	0	0	0	27,672	0	0	0
Air pollution	0	0	0	0	0	0	0
Waste	0	0	0	0	0	0	0
Noise	0	0	0	0	0	0	0

	2019						
	Budapest (HUF)	**Dorog (HUF)**	**Debrecen (HUF)**	**GR Romania (RON)**	**GR RUS (RBL)**	**GR Polska (PLN)**	**RTML (rupia)**
Wastewater	0	0	0	16,292	110,000	0	0
Air pollution	0	0	0	0	0	0	0
Waste	0	0	0	0	0	0	0
Noise	0	0	0	0	0	0	0

4. FOR OUR COMMUNITIES

Richter management have always been aware of the importance of community involvement. We recognise that as a leading pharmaceutical manufacturer and employer in Hungary it is our responsibility to maintain dialogue with society at large and with those who have an interest in the Company's activities. In this respect Richter supports projects in the areas of healthcare, science, education and environmental protection in line with its mission of improving health and the quality of life. The Company provides substantial support to healthcare institutions and organizations established with the aim of taking care of patients.

To encourage young people's interests, we sponsor a wide range of science-based school programmes, including chemistry education in secondary schools and university programmes both in Hungary and abroad.

Under the auspices of the Foundation for Hungarian Chemistry Education, as part of the Hungarian Chemistry Education Award, the Gedeon Richter Foundation annually gives several so-called 'Extraordinary Chemistry Lesson' sessions featuring the life of a researcher. The award-winning teachers and their talented students dedicated to chemistry can learn about the processes of pharmaceutical research, development and innovation, and the lives of pharmaceutical researchers in an interactive lecture. They then take part in a laboratory visit to talk to young researchers. The event fills a gap and significantly shapes the attitudes, knowledge and vision of teachers and students. The programme has already inspired many students to choose a research career.

Richter has been organising the 'Richter Scholars Club' series since 2004, which has generated strong interest at Hungarian medical universities. The aim of the free lectures is to familiarise the participants with the current topics of medical and pharmaceutical science. The series of events is recommended to university students, participants in residency training, as well as young general practitioners, family doctors and pharmacists. Richter gives three professional lectures in connection with the scientific concept of the given year in the four Hungarian cities housing major universities (Budapest, Szeged, Pécs, Debrecen). In addition to the presentations, we provide all those interested with the opportunity to apply for our special factory visit program, in which participants can gain insight not only into the pharmaceutical manufacturing process, but also into Richter's everyday life.

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 broadened in order to include secondary school students, thereby providing them with future career opportunities.

Form of Support	Description	Participation
Traineeships	We offer traineeships to secondary school students and university undergraduates at our teaching facilities, manufacturing plants, research laboratories, and other functions.	208 persons in 2020 190 persons in 2019
Support for degree theses, undergraduate theses, doctoral dissertations	On an individual basis, we occasionally provide on-site research opportunities or external consultants.	31 persons in 2020 22 persons in 2019
Factory visits	Organised for vocational schools, universities, Hungarian universities from across the border and EU countries, on demand.	183 persons in 2020 914 persons in 2019

We have implemented many programmes and initiatives to support the objective of improving quality of life.

One of the most successful programmes has been 'Richter City of Health', established in 2009. Groups of physicians and specialists from local medical institutions gather at various locations in towns all over the country to meet people interested in a number of health conditions. A special feature of these meetings is that visitors would participate in the financial support of hospitals and the purchase of medical equipment just by simply participating at the event as the initial donation (HUF 2m) offered by the Company to the town hospital is increased by every medical activity carried out.

The results of the 'Richter City of Health' initiative are impressive: 79 towns have benefited and around 189,000 people have participated. Additionally, over the eleven years some 79 hospitals have received a total of HUF 403 m financial assistance from Richter. During this period specialists have carried out more than 190,000 screenings. Screened patients, when needed, have received prompt advice about further treatment options.

In 2019 Richter's office in Russia launched a social campaign to help relatives of patients with schizophrenia. The office conducted a survey with the help of the Russian Public Opinion Research Centre to explore the attitude of Russian society towards patients with schizophrenia. A separate target group was also part of the survey: relatives and caretakers of patients with schizophrenia. The aim was to find out from a comparison of the responses of the two groups of respondents what the needs and questions of the patients' relatives were about the disease. As part of the campaign, the Moscow office put together an information booklet with the help of a psychiatrist and a caretaker to help relatives of patients care for those with this mental illness. Richter's colleagues in Russia published the data from the survey in a press conference and launched a media campaign to dispel misconceptions about patients with schizophrenia, to fight social stigma, and to provide credible information to all Russian citizens about the daily problems of patients and their relatives. Continuing the campaign, a small film was released in 2020 on the daily difficulties of people who live with schizophrenia and their nurses. On the occasion of World Mental Health Day a press conference attended by more than 30 media representatives was held on the film and its content, where reputable psychiatrists and the film producer gathered to speak about myths around schizophrenia.

Other Support in the Form of Foundations

Foundation	Form of Support
Foundation for Student Researchers	Provides research opportunities to secondary school students.
University foundations	Awards for prize winners at Students' Scientific Associations conferences and for excellent degree work. Grants for young researchers and PhD students.
Richter Foundations:	
Gedeon Richter Foundation for Hungarian Chemistry Education	Awards for the teaching work of primary and secondary school chemistry teachers.
Gedeon Richter Plc. Centenary Foundation	Support for the PhD studies and short and long-term research of young research scientists and university students.
Richter Gedeon Talentum Foundation	Support for the graduate and postgraduate studies of talented young people pursuing secondary cshool studies ont he basis of university agreements with PhD scholarships and excellence PhD scholarships who, after completing their studies, could become the Hungarian pharmaceutical industry's next generation of successful specialists and researchers.
Aesculap Foundation	Support for scientific activity, research, training, education, skills development and the dissemination of knowledge at the Faculty of Pharmacy of Semmelweis University, Budapest.
Hungarian Foundation for Education in Natural Sciences	Award for teachers who achieve outstanding results in teaching mathematics, physics, biology and chemistry (Teacher Rátz Life Achievement Award).
Bugát-Richter Natural Sciences Foundation	Deepening the scientific knowledge of secondary school students, helping talented students with outstanding knowledge, supporting high-level competitions and quizzes.
Varga József Foundation	At the Faculty of Chemical Engineering and Biomedical Engineering at Budapest University of Technology and Economics: supporting scientific activities, research, education, skills development, conferences.
ProScola Nostra Foundation	Supporting the talented students of the Vilmos Zsigmondy Secondary Grammar and Vocational School in Dorog promoting health and sports activities as well as summer camps, skills development, supporting foreign language training, incentives for taking language tests.

Objectives 2021

- Making science education attractive, both for teachers and students.
- Play an active a role in the implementation of dual training, supporting the practice-oriented training of students in secondary vocational training and higher education, especially in this challenging period.
- Support for mentor programs, organizing online career guidance events.

8

PEOPLE

2020 was determined by the Covid-19 pandemic that fundamentally changed the way we think about work, working and the commitment of employees. The rate of employees working in home office reached 19 percent, since the health and safety of people working either at the Company's different locations or at home became the focus last year. Our environmental conditions were defined by continuous changes and we constantly needed to react to the new situations. During 2020, our main tasks were to maintain safety and productivity at the same time.

We value the talents, skills and capabilities that our global workforce of more than 12,000 people in more than 35 countries brings to our business. Our target is to fit our Employees' skills and capabilities to our long-term strategy and to support the Company's business goals with the establishment of competent organisations.

The success of Richter is defined by people who embrace a shared sense of purpose, who are results-oriented, cooperate with each other effectively, benefit from changes and develop continuously thereby contributing to the implementation of strategy.

Our Values

We are proud that the Richter name covers not only innovative products, but also a stable and cooperating workplace where it is both good to work and worth working. In line with our global ambitions, we are constantly developing the areas that make Richter an outstanding workplace, where dedicated and competent professionals are happy to work.

Gedeon Richter as a brand name has successfully preserved its reputation and prestige during the past decades. Under the changing labour market conditions of these days, with the appearance of a new generation on the labour market, in 2019 a comprehensive employer branding process aimed at increasing employer brand awareness, supporting recruitment and increasing the commitment of existing employees. The process resulted in the creation of a unique employer brand image.

The following employer brand values highlight why Richter is an outstanding workplace.

Hungarian Formula — Global Effect

Our employees assist people's lives in many countries: our Hungarian-based group offers solutions around the world with cutting-edge innovation, continuous investment and high-quality products. Therefore, the work of our colleagues is not only important and responsible, but diverse and challenging. They can work on the latest technological challenges, use modern tools and create real value in their work.

Innovation

For us, innovation is not a distant dream, but an integral part of our work. Our colleagues use world-class equipment, state-of-the-art processes and technologies in research and development, quality management, biotechnology and various areas of pharmaceutical manufacturing. The science of continuous innovation is one of our most characteristic and important values, which is the key to development and a successful future.

Continuous Development Has Given us Stability

At Richter, our colleagues can work with the confidence that our Hungarian headquarters is under domestic control and operates independently. Our financial position is stable and our market presence is strong. Our reliable and acknowledged brands and carefully developed strategy also provide room for continuous growth. As a responsible and diligent employer, we measure growth not only in the results of our Company and the quality of our products; we also pay special attention to the professional and personal development of our employees.

In the Service of Leading a Full Life

Our company is characterised by a humane culture and a helpful, friendly atmosphere, in which the promotion of a full life plays an important role. As a member of the Richter family, our employees can enjoy all the benefits of our wide range of welfare and health services and community programs. We support sports and an active lifestyle, and we also help physical and mental recharge with holiday opportunities. We are convinced that growth is part of a full life, so we also assist the development of our colleagues with a wide range of training opportunities.

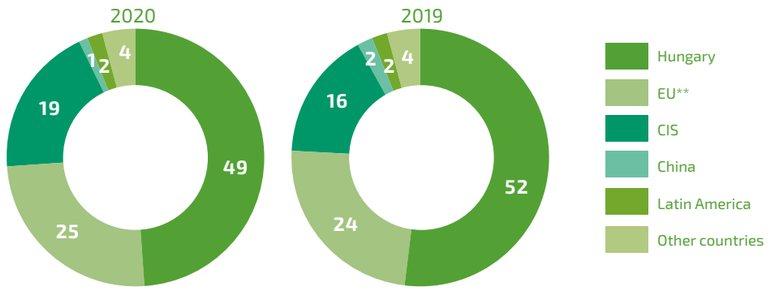
The Science of Collaboration

We believe in the power of teamwork and collaboration, as evidenced by our outstanding results. Whether it is international cooperation or collaboration among functions or staff, helpfulness and a friendly atmosphere are both there to ensure success. We make sure that all our colleagues can experience why it is good to think together in a community. We are proud that the different divisions work together successfully for common goals and there are many supportive micro-communities within the Company.

Employees

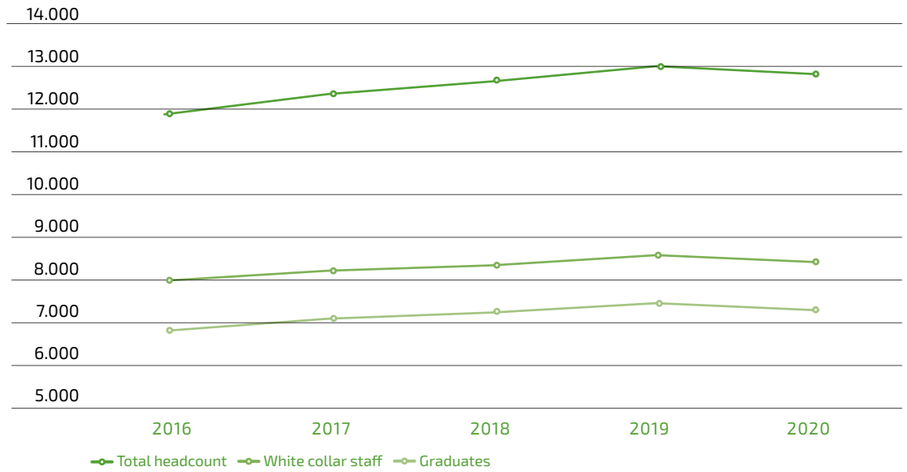
The total headcount for the Group was 12,842 at the end of 2020, a 1.4 percent (183) decrease when compared to 2019.

Employee Structure by Region in 2019–2020* (%)



Notes: * As at 31 December 2019 and 31 December 2020.
**Excluding Hungary.

Number of Staff (person)



Parent Company Statistics (person)

	2016	2017	2018	2019	2020
Average age of employees (year)	44.1	44.1	43.7	43.7	44.0
Average time spent at Richter (year)	13.7	13.3	12.9	12.6	12.7
Average number of employees (person)	5,011	5,187	5,509	5,716	5,832
full-time	4,941	5,111	5,396	5,523	5,611
retirees, full-time	6	4	19	90	115
part-time	58	69	85	98	103
retirees, part-time	6	3	2	5	3
Number of personell with an open-term employment contract (person)	4,633	4,917	5,231	5,605	5,676
Number of personell with an fixed-term employment contract (person)	450	425	392	192	152

Considering the changing conditions of the labour market, we use contractual employment if necessary, e.g. by concluding agency contracts. In the competition for labour market participants, permanent employment has resulted in stronger commitment and motivation with formerly temporary employees happy to join Richter. In line with this trend, there were only 9 employees employed temporary in 2020. As another atypical form of employment, we continue to apply the employment through a retiree cooperative.

Fluctuation* (2016–2020)

Number of New Entrants (person)

	2016	2017	2018	2019	2020
Under 30 years	246	249	275	260	209
Between 30–50 years	236	353	397	361	299
Above 50 years	32	59	79	73	42
Total	**514**	**661**	**751**	**694**	**550**

Note: *Parent company data

Fluctuation by Age (%)

	2016	2017	2018	2019	2020
Under 30 years	11.3	14.2	17.1	14.2	11.3
Between 30–50 years	5.2	6.6	6.8	9.3	7.7
Above 50 years	10.8	6.7	7.4	10.0	8.7
Total	**7.8**	**7.5**	**8.2**	**10.1**	**8.4**

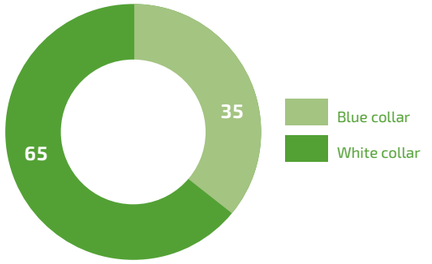
Note: *Parent company data

The number of Richter Parent Company employees increased slightly in 2020 compared to 2019, although the number of new entrants was the highest in 2018. The proportion of new entrants decreased. In 2020, both were affected by the pandemic.

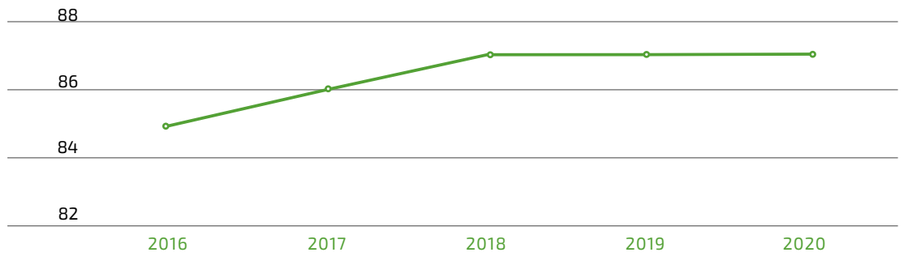
One of Richter's strengths as an employer lies in its stability; our employees have an average of 13 years of employment. Flexible employment of the workforce is important to us, which we ensure through internal training and rotation.

The number of skilled employees at the Group decreased to 7,291 at the end of 2020, from 7,450 reported in 2019. Graduate educated personnel represented 87 percent of white collar staff and 57 percent of the total number of employees at the Group.

Proportion of Blue and White Collar Staff in 2020 (%)



Proportion of Graduates* (%)



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

Recruitment and Individual Development

Attracting, motivating and retaining value-driven, talented and high-performing individuals are a business priority at Richter. We support the development of our colleagues with a safe work environment, a competitive income and benefit system, an inclusive and diverse corporate culture, and the provision of a wide range of training opportunities. 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. We use a competency-based interview technique which focuses not only on the professional knowledge and experience of candidates but equally on his or her personal skills, characteristics and competences.

Retaining an increasingly mobile workforce is a challenge, and we are also seeing a growing demand for flexible employment options. In addition to opportunities for personal growth besides work, ensuring a proper work-life balance is also extremely important. Labour market developments have led to changes over the last few years, to which market participants need to respond with a high degree of flexibility and speed. Competition among employers for workers in sectors with skills shortages and for those with secondary education has been increasing in the last few years, especially in connection with the wages, benefits and employee experience. Due to the changes in the labour market, we have supported the selection process of blue-collar staff with active HR/recruiter presence.

As a result of accelerated competition in the labour market, finding and retaining the most suitable candidates has become a key factor resulting in the simplifying and shortening of the recruitment process and using all available online advertising platforms and modern recruit technics like sourcing and we cooperate also with job agencies if it is needed. In order that the applicants spread our reputation and choose us in the competition among employers, we place great emphasis on the importance of candidates' experience, hence we have organised a series of recruit-selection trainings for our management staff.

Recognising the increasing trend of employment on a global scale, we have deliberately opened our Company to foreign workers to import international experience. In addition, within the framework of the Erasmus+ programme, we also provide ethnic Hungarians living abroad with the opportunity to participate in internships.

We place great emphasis on the recruitment of young professionals, as this factor provides a clear competitive advantage. We are aware that the gap between the knowledge provided by school systems and the expectations of employers is increasing. By creating summer internships in as many fields as possible, we are constantly striving to ensure the supply of young professionals. We facilitate development within the organisational framework by offering dissertation consultation and professional mentoring. With an active, nationwide presence at job fairs, professional events and workshops, we ensure that a well-known and attractive employer image of Richter is created for the next generation. In providing career guidance, we liaise with a number of educational institutions and receive students at Richter sites, where in addition to discussing operation-related questions, we also provide HR assistance (CV consulting, job search portals, selection process, trial interviews, etc.), and we give presentations to promote our profession. We support talented students and reward outstanding chemistry teachers through our foundations. Student employment is on the rise and there is a growing demand for traineeships.

Higher attention is paid to ensuring the supply of professionals for the Company. As a result of our close co-operation with several partner institutions we have supported hundreds of students to fulfil their summer internships and to complete their theses during past years. In this work, we can rely on the expertise and development-oriented work of our student supervisors, who are members of the Student Supervising Program, started in March 2019. However, the COVID-19 pandemic raised barriers in this field in 2020. Accordingly, we had to rely on different digital educational platforms during the organization of internships. Our Company provided a partially digital education by a reduced duration for students participating in the summer and interim internships or preparing their theses. It was important to reduce the contact number as much as possible, for the sake of our employees and the students coming to us. From 2020, beside the traditionally large-scale trainings such as pharmacist, chemist and bioengineering, our Company broadened its cooperation in higher education with its active participation in cooperative operational engineering. In the frame of secondary vocational training system together with other pharmaceutical companies, Richter launched on a trial basis a dual chemical technician training for the 2020-2021 school year. Our training plants in Budapest and Dorog provide the appropriate background for the training.

HR Systems and Initiatives

From 2018, a new integration programme was launched to help the integration of new employees. The Company implemented a new Welcome Programme in the previous year including a Buddy system which aims to support all new employments during the first weeks. Following entry into the company employees participate in welcome training to promote engagement and to give an insight into the organization of Richter. As a response to the challenges of the COVID-19 pandemic in 2020, the integration programmes have been successfully implemented on the various digital platforms. Having combined the experiences of both face-to-face and online programmes held in the past years, our Company launched an online programme which includes the flexibility of digital platforms as well as the value and opportunities of personal meetings.

Our Company provides internship programmes for novice pharmacists and graduates with a degree in technology in the fields of manufacturing, technology and quality assurance. The programmes last for two years. In case of successful fulfilment, our Company provides opportunities to be employed by the professionally appropriate organisation.

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.

In 2020, our performance evaluation system was completed with the so-called performance calibration. With the help of this method, individual performances can not only be determined compared to themselves but also comparing the employees to each other. In 2019, Richter redefined its competence system that should be applied to all employees and leaders of the Company. These competences are the following: results-orientation, cooperation, change management, self-development and expertise. Accordingly, to implement its strategy and organisational goals, Richter needs employees who are results-oriented, high-performing, and cooperating team players who are open to changes, continually developing their skills and competences. The new competence system was applied by the performance evaluations in 2020.

Training and Development

The Company traditionally makes special efforts to assist our Employees' scientific development, to provide the opportunity to follow the up-to-date professional trends and also to develop their professional, language and digital competences. In addition, all employees are required to participate in safety, quality assurance, environmental protection and pharmacovigilance training courses. However, the strict measures in connection with the COVID-19 pandemic in 2020 significantly affected the international and domestic training market. As a result, the opportunities for our employees have been substantially transformed. Several planned and announced training programmes and conferences were cancelled or rescheduled for 2021. Our Company adapted rapidly to the new circumstances and took advantage of digital opportunities and implemented a large-scale intern system and device development, promoting the change-over to digital in every area of training. From September, online education relaced almost 100 percent the personal courses not only in the fields of professional and language trainings but also in developing leaders and the so-called soft skills development trainings.

In addition to professional and management training, there is a growing need to examine and develop processes within organisational units or across organisations, to solve operational failures, and to support change management in organisational transformation. We try to solve these with the involvement of experts through organisation development projects.

We provide many of our colleagues with the opportunity for development by supporting them to participate in domestic and international professional conferences and scientific congresses. We attach particular importance to in-house training for the development of basic IT skills. In addition, the number of our employees who participate in in-depth training providing specialised IT knowledge (e.g. programming, system operation, software development and testing) is increasing year by year. The organisation of mandatory training required by official regulations, which affect not only the blue-collar staff working in production or those working in quality management, but practically all employees of the Company, continues to be extremely important to us. Since the common language at the Richter Group is English, we strongly support the acquisition and development of proficiency in this language. In addition, we provide Russian and Spanish language courses to our managers and key employees involved in Richter's diversified international relations, whose work requires the highest possible proficiency in the most commonly used foreign languages at our Company.

Number of Employees Participating in Training

Type of Training	2020	2019
	Number of staff	Number of staff
Formal academic training programmes		
Higher education training programmes:	*96*	*106*
Basic degree programmes (BA, BSc)	37	41
Master degree programmes (MA, MSc)	11	16
Specialised continuing training programmes	40	43
Doctoral degree (PhD) programmes	5	4
Higher education vocational training programmes	3	2
Secondary education (with a certificate)	*12*	*18*
Total Formal academic training programmes	**108**	**124**
Programmes outside formal academic training		
Training programmes listed in the National Qualification Register ('OKJ')	151	170
Other vocational training programmes	15	17
Training programmes related to compliance with the law	730	894
Courses (technical, IT, other)	558	1,232
Trainings aimed at developing competence	73	132
Domestic conferences	189	659
Language courses	959	1,022
Leadership training	516	641
HR programmes	468	733
Total Programmes outside formal academic training	**3,659**	**5,500**
Total	**3,767**	**5,624**

The number of employees participating in training during 2020 was inevitably impacted by the COVID-19 pandemic. We seek to locate a significant number of our training programmes at our in-house premises, by involving recognised experts in the given field. This allows us to make sure as much as possible that the content of the courses matches Richter's development needs.

Major Professional Courses on Richter Premises*

	2020	2019
Special course in drug technology	30	23
Special IT continuing training programmes (ITIL, SAP, BI, SP)	35	86
Software operator training course for operating analytical instruments held by Hungarian or foreign experts	3	24
Product development trainings held by an invited foreign specialist	-	36
Statistics, biostatistics, data analysis	-	58
LEAN and quality assurance trainings	24	66
Economic and administrative continuing training programmes	26	39
Total	**118**	**332**

Note: *Excluding compulsory training courses.

It is important for us to learn about the opinion and the degree of satisfaction of our employees about the training we provide. To this end, after completing the training sessions, we most often funnel the feedback that is essential for the further development of our activities through an electronic questionnaire survey or personal interviews.

Objectives 2021

- Attitude change project
- Framework for an efficient organisation
- Efficient and customer-oriented HR administration
- HR digitisation
- Leadership development
- Dual training

Developing Leaders

Our leadership development programmes were significantly affected by the pandemic. Accordingly, our programmes which were originally planned to be face-to-face had to be placed to a digital platform. Richter launched a comprehensive leadership programme in September 2020 to develop those key competences and knowledge which are the most important in respect of the implementation of our strategy. Trainings like 'From strategy to effective operation' supported our leaders to be able to break down the appropriate part of strategy towards individual aims and to be able to make them measurable. For those employees who could not attend the virtual trainings due to the lack of technical equipment, we prepared an online material.

Our career development program, started in 2006, which focuses on further development of high potential management talent, continued in 2020. During the programme, the attendees participate on different trainings to develop their competences. It certifies the success of the project that a number of participants have been promoted to new management positions already during the programme and that the newly promoted leaders were previously participants.

Diversity and Equal Opportunities

Regardless of gender and age, we provide opportunities for advancement, professional development and leadership positions. Equally accessible training/development conditions are available to all levels of management.

It is an advantage for every organisation if colleagues approach a particular task or project from different perspectives. Different views can give the Company a new perspective and opportunity, which can increase its productivity and efficiency. In some areas, Richter positively integrates foreign employees in order to import international knowledge, in line with the professional needs of the given position. We also plan to fill certain global positions from within the Richter Group. We support the reintegration of women after GYES (Child Care Benefit), many of whom are employed on a part-time basis. At the same time, we place emphasis on the employment of students and retirees (in the form of cooperatives offering full-time opportunities, but also part-time).

Advocacy

The interests of employees at the parent company is represented by the VDSZ Pharmaceuticals Trade Union, which is an independent civil society advocacy organisation operating as a legal entity since April 1992. The trade union organisation is representative, acting on behalf of all employees of Richter's Hungarian organisational units. It has a total of 1,430 active members and a larger number of retired members. The advocacy organisation exercises all trade union rights, one of the most important manifestations of which is the collective agreement, which dates back decades. The scope of the Collective Agreement extends to employees employed by Gedeon Richter Plc., provided that they usually perform their work in Hungary. The scope of the Collective Agreement does not apply to the Chief Executive Officer, nor to senior executives.

Since 2019, another advocacy organisation, the Trade Union of Multinational Companies (MCDSZ) has a branch operating at our Company to protect employee interests.

A line of communication is maintained constantly with the HSE Committee to ensure satisfactory working conditions. The traditional right of employees to make joint decisions is exercised by a Works Council, which operates in compliance with applicable law. Its most important tasks include approval of the allocation of the welfare budget. It functions as an information bridge between the employer and the employees.

Reporting Workplace Issues

Employees can report abuses and ethical violations detected by them by email and telephone via the Compliance Hotline, previously described within the framework of the Global Compliance Programme. In recent years, the use of the Compliance Hotline has become common, with staff asking questions about the Compliance Handbook and the Global Compliance Programme.

Work-Life Balance, Health Preservation

The parent company supports the recreation and health of its employees with a number of valuable services and self-maintained facilities. Richter's Hungarian employees and their families have access to our holiday resorts, sports fields, swimming pools, doctors' offices, and we provide them with complex health screening every two years. We pay particular attention to sports and preserving employees' health thus we support our more than 10 sports clubs by providing a venue for them with our swimming pool, gym and Sports Ground. We regularly participate in the Fut a ceg ('Company is running') competition, where Richter's staff has ranked among the top three for several years, thanks to the large number of participants. We hold the popular Richter sports/leisure Family Day event at regular intervals, which all our colleagues can attend with their family members.

Richter continued the health programme that is available for every employee and is funded by the Company. In the frame of the programme, employees can participate on a wide range of different medical screenings to preserve their health and also for prevention and early detection of diseases. Beside the health programme, Richter also provides a health insurance for employees including a numerous different medical services and free medical examinations.

The Company also operates kindergartens in Budapest and in Dorog to support families and to provide day care and education for the children of employees. Richter also provides a financial benefit for employees whose children attend school.

Home Office, introduced in 2019, provides flexibility for our colleagues, as it offers the opportunity to work from home under certain conditions. Our experience so far is positive. We reviewed and modify the system in 2020 and increased the number of available days. We provide our employees with a study contract with extra days off during the exam periods. The Company helps blue-collar workers get to their workplace on time for their shifts by operating a bus service.

More than 49 percent of our employees worked in flexible work schedules as of 31 December 2020, and more than 11 percent in freely chosen working hours. We also provide opportunities for part-time employment and telework contracts. Entitlement to unpaid leave is regulated by our Collective Agreement and, in addition to basic cases defined in the agreement, employees may also request it for other reasons (e.g. family matters, long stay abroad).

In 2020, we initiated a so-called Richter Balance programme that focuses on the balanced work environment. Its main goal is that both on the level of the company and different organisations, everyone can contribute even in the this challenging period, to make Richter an outstanding workplace where it is good to work and where all employees make efforts for their mental health and for a milieu free of stress.

Remuneration and Other Employee Programmes

Compensation philosophy at Richter is based on the Company's commitment to a performance culture. Performance based salary, bonus, share awards, other forms of allowances all contribute to the retention of key talent, superior performance and the accomplishment of business targets.

To make the positions transparent and to make it possible for employees to be able to plan a more conscious professional carrier, Richter launched the system of RG levels (Richter Grade) in 2020.

The created levels of different positions reflect knowledge, problem solving and responsibility, altogether defining the increasing level of complexity of positions and their impact on the Company's effectiveness. The levels were divided to professional and managerial classifications. Certain levels are parallel with each other to present not only the managerial carrier opportunities but also the professionals.

With effect from 2018 we introduced a new employee and leadership self-service electronic system, the SuccessFactors.

Benefits

We continued to operate our cafeteria plan as in the previous years, which also covers part-time employees.

Our fringe benefits are very diverse beyond the cafeteria system:

- Our Company attaches particular importance to financial self-care, therefore, we provide a voluntary pension fund membership fee supplement to our colleagues.
- We take out extensive life and accident insurance for our employees at Signal Insurance Company.
- Despite changes in tax legislation, we continue to provide support for starting school to our employees' children eligible for family benefits.
- Banking agreements: we have contracts with the largest banks in Hungary so that our employees can open employee accounts and receive discounts on bank fees.
- Our employees have the opportunity to take out interest-free housing construction, home purchase and renovation loans.
- GYES (Child Care), GYED (Maternity Leave) benefits: Employees can apply for these through the Richter Welfare Foundation within 3 months of starting active work.
- Our Employee Stock Ownership Plan is a long-term incentive: in recognition of their activities and commitment, our employees, especially our long-term colleagues, can receive Richter stock bonuses under the Plan.
- Our Company recognizes the loyalty of employees who have been employed for more than 10 years with a Gedeon Richter Memorial Certificate and a cash prize.
- In order to retain talented young people, we have developed a long-term insurance scheme, and we strive to provide the best ones with professional career opportunities and mobility options within the organisation.

9

COVID-19 PANDEMIC

1. CRISIS MANAGEMENT

From among the challenges faced by Richter throughout 2020 certainly those imposed by the COVID-19 pandemic proved to have the most important long-term impact on our business. In the following section we summarize the most important challenges and responses given by the Company during the year under review.

With the health and wellbeing of our employees at stake the primary goal of the Management was the protection thereof while preventing any disruptions to the operations. While at the beginning of the year the tightness in the labour market might have eased due to the pandemic, attendance rates also worsened somewhat, and therefore securing the necessary headcount remained challenging. Thanks to the dedication and commitment of colleagues, the Management have been able nevertheless to sustain operations and preserve the value creation capability of the Company.

An in-house Pandemic Response Team was established to enhance information flow and accelerate decision-making and first measures were introduced as early as 28 February 2020. These included a banning of travel first to countries/regions affected by the pandemic, with an expanded scope later on as Hungarian border regulations were also amended. Measures required to achieve social distancing were applied to all common areas and employees who could fulfil their job requirements by remote access were encouraged to work remotely. Our colleagues were supplied with the necessary equipment and the use of digital channels while the adoption of new ways of working were accelerated. Those at work were given face masks and sanitizers were placed in all social areas of the Company.

Employees who were required to come to work were offered per diem travel allowances in order to encourage commuting using private vehicles rather than public transportation. Useful tips have been given to line managers and employees to manage remote work and how to tackle the COVID-19 situation. Psychological support has been offered to employees suffering from stress due to the lockdown. A donation was made through Richter's own Wellbeing Foundation to support families in need.

Gradually tightening security measures implemented by the Government of Hungary at a national scale were followed by additional protective measures applied at our Company during the first quarter of the year.

The lockdown implemented worldwide during the first months of the year has clearly had a negative impact on supply chains and logistical routes globally. Richter's vertically integrated operating model has added significantly to our resilience, yet we've been also challenged by longer lead times and increased risks when it came to ensuring the continuous availability of starting materials, protective gear and other supplies. Measures aimed at ensuring social distancing have temporarily contributed to lower productivity at Richter's manufacturing sites.

At the beginning in many of Richter's traditional markets we experienced a higher demand for generic therapies addressing chronic conditions (cardiovascular, central nervous system, etc.) as people were preparing for the imminent introduction of quarantine measures. Some of our products saw outstanding demand during the first quarter 2020 in Poland, Ukraine, Other CIS and Russia with oral contraceptives also recording higher turnover in most of the key EU15 countries.

While during the first quarter in person promotional activities had to be discontinued in practically all of our markets in an effort to reduce physical contact, Richter management successfully redirected these activities to online channels.

In line with a slowdown experienced in the spread of the pandemic, most of our directly impacted operations continued to readjust to changing environmental conditions by the end of the first half, however promotional activities which were discontinued in March in practically all of Richter's markets remained on hold partly or fully in key areas. Russia was affected most with both in person and remote medical visits remaining entirely suspended beyond the end of the first half of the year. Doctor-patient contacts also remained subdued, affecting adversely the number of prescriptions during that period.

By the end of June some of the extraordinary safety measures put in place in March were gradually relaxed. The Management continued to prioritise the health and wellbeing of the team, while ensuring a sustainable supply of high quality and affordable medication worldwide remained also in their focus. Richter's vertically integrated operating model and its corporate culture of trust and cooperation have allowed it to service all of its customers on time and in full throughout the first six months of the year.

A second wave of the pandemic hit most of our markets including Hungary during the third quarter. As a consequence, tightening security measures were implemented again at a national scale by the Hungarian Government, which were followed by additional protective measures applied, also at the Company.

In spite of the new tightening measures introduced promotional activities in the last quarter did not change significantly compared to previous months. Direct promotion represented around 50 percent of total marketing approaches in most of our markets.

A strong balance sheet without any debt together with a sustained positive cash flow ensured that Richter remained in a good financial position during the year and also expects to continue in the aftermath when some global economic slowdown inevitably occurs.

Our cautious approach to receivables management has added to our resilience during the pandemic related turbulences.

Amidst the volatile economic environment recorded throughout 2020, Richter has maintained its tight credit policy with the financial management of the Group performing close customer credit monitoring. No disruption to the usual payment procedures has occurred to date.

2. THERAPEUTIC DEVELOPMENTS

Rising worldwide demand for therapies against the COVID-19 pandemic has also turned Richter's interest to this area. Five projects were initiated during 2020 that promise therapeutic success in the fight against the pandemic. Please find a brief summary of these in the following:

Remdesivir

In order to address the COVID-19 pandemic broken out in 2020 Richter contributed by a record speed completion of the development of remdesivir, an agent to be used in antiviral clinical trials. Efficacy of remdesivir was also proven by an authorisation issued by FDA, which approves the compound for the treatment of COVID-19 infections.

Vaccine – Contract Manufacturing

Contract manufacturing of DNA based vaccine of INOVIO shall be made by Richter's joint venture in Germany, while the filling of the cartridges is going to be made at our site in Debrecen. The product dubbed INO-4800 does not have a marketing approval yet and it is unlikely it can reach vaccination centres by the end of 2021.

Favipiravir

Richter joined forces with other members of a Hungarian consortium in order to develop favipiravir. Its task resumed to the scaling up of the manufacturing based on laboratory and pilot plant data provided by other members of the consortium. The API produced subsequently was used by the members of the consortium to conduct the clinical trials. Should it be needed, Richter is able to manufacture the API.

Fusion Protein

Richter has also participated along other members in the work of a consortium aiming towards the development into a drug of a fusion protein that may be effectively used against the COVID-19 virus. Richter's task is to develop the manufacturing technology and its scaling-up. Further details about this project can be found in Biosimilars chapter on page 47.

Tocilizumab – Future Opportunity

The API currently under biosimilar development at Richter was used with good results in severe cases of coronavirus infection. The French health authority deemed the product to have such an importance that they turned to the WHO in an extraordinary procedure. Tocilizumab by blocking the effect of Interleukin-6, a protein produced by the immune cells may prevent an excessive response of the immune system also known as a cytokine storm.

10.

COST SAVING MEASURES

During 2020 despite COVID-19 pandemic Richter's management team made considerable effort to improve its execution capability. The management team defined a well-articulated medium-term strategy and while it also wanted to make sure that the Company has all the organisational capabilities that raise the probability of success in terms of execution. Pursuing this objective in 2020 a cycle of tracking the possible outcomes of the established strategic goals has been put in place. The recently established framework comprises a three time per year monitoring exercise with senior management team and a once a year thorough strategic review conducted as a part of a two days' workshop.

Number of efficiency projects have been implemented that had led to speeding up of R&D and to substantial cost savings. Life cycle management framework has been implemented with signals generated on portfolio items, which serve to identify cost saving opportunities or quality problems that would prevent the product from staying on the market making sure that we address issues regarding the portfolio on time.

Pursuing the objective to accelerate and optimise the R&D processes a framework has been put in place for the timely and efficient management of our pipeline projects amounting to more than 150 requiring a systematic approach and more focused IT support.

A number of production efficiency projects have been implemented, including the improvement of the yield in the solid dosage form facility with higher number of finished products combined with lowered man hour, which in turn resulted in higher productivity. Large scale energy efficiency efforts have been also made during 2020 in order to meet ESG objectives.

Having the impacts of the pandemic in mind management focus has been directed towards transportation efficiency, which resulted in a re-optimization our mix of transportation solutions in 2020.

In addition to the COVID related impacts of the Company's promotional activities, actions aiming towards decreasing the S&M expenses were taken by the Management responding to the austerity measures implemented in Russia and China.

Substantial progress has been made in procurement centralisation projects, which led to lower lead time and lower cost levels, while banking and insurance contracts also were reviewed looking for further saving opportunities.

DISCLOSURES

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that this Business Review is prepared according to the best of our knowledge. The Report above provides a true and fair view of the position of Gedeon Richter Plc., comprises the subsidiaries included in the consolidation, and it contains an explanation of material events and transactions that have taken place during the reported year and their impact on the position of Gedeon Richter Plc. and its subsidiaries included in the consolidation.

Statements contained in Business Review that refer to future events or other non-historical facts are forward-looking statements that reflect Richter's current perspective of existing trends and information as of the date of the release of this publication.

Gábor Orbán
Chief Executive Officer

11

APPENDICES

Consolidated Sales

Consolidated Sales

	2020 HUFm	2019 HUFm	Change HUFm	%	2020 EURm	2019 EURm
Total	**566,776**	**507,794**	**58,982**	**11.6**	**1,614.8**	**1,560.7**

Pharmaceutical Sales

Pharmaceutical Sales

	2020 HUFm	2019 HUFm	Change HUFm	%	2020 EURm	2019 EURm
Hungary	**41,086**	**39,809**	**1,277**	**3.2**	**117.0**	**122.4**
EU*	**136,848**	**125,982**	**10,866**	**8.6**	**389.9**	**387.2**
EU 12	66,422	60,458	5,964	9.9	189.2	185.8
Poland	26,380	23,428	2,952	12.6	75.2	72.0
Romania	12,223	11,173	1,050	9.4	34.8	34.3
EU15**	70,426	65,524	4,902	7.5	200.7	201.4
CIS	**124,914**	**123,969**	**945**	**0.8**	**355.9**	**381.0**
Russia	85,844	86,911	-1,067	-1.2	244.6	267.1
Ukraine	13,097	11,470	1,627	14.2	37.3	35.3
Other CIS	25,973	25,588	385	1.5	74.0	78.6
USA	**108,509**	**71,101**	**37,408**	**52.6**	**309.2**	**218.5**
China	**10,764**	**18,975**	**-8,211**	**-43.3**	**30.7**	**58.3**
Latin America	**7,694**	**7,210**	**484**	**6.7**	**21.9**	**22.2**
RoW	**27,449**	**20,296**	**7,153**	**35.2**	**78.2**	**62.4**
Total	**457,264**	**407,342**	**49,922**	**12.3**	**1,302.8**	**1,252.0**

Notes: * Excluding Hungary
**Including UK

Top 10 Markets

Top 10 Markets

	2020 HUFm	2019 HUFm	Change HUFm	%	2020 EURm	2019 EURm
USA	108,509	71,101	37,408	52.6	309.2	218.5
Russia	85,844	86,911	-1,067	-1.2	244.6	267.1
Hungary	41,086	39,809	1,277	3.2	117.0	122.4
Poland	26,380	23,428	2,952	12.6	75.2	72.0
Germany	19,643	18,989	654	3.4	56.0	58.4
Ukraine	13,097	11,470	1,627	14.2	37.3	35.3
Romania	12,223	11,173	1,050	9.4	34.8	34.3
Spain	11,817	9,661	2,156	22.3	33.7	29.7
China	10,764	18,975	-8,211	-43.3	30.7	58.3
Italy	7,813	8,258	-445	-5.4	22.2	25.3
Total Top 10	**337,176**	**299,775**	**37,401**	**12.5**	**960.7**	**921.3**
Total Sales	**457,264**	**407,342**	**49,922**	**12.3**	**1,302.8**	**1,252.0**
Total Top 10 / Total Sales %					**73.7**	**73.6**

Specialty Sales

Specialty Sales

	2020 HUFm	2019 HUFm	Change HUFm	%	2020 EURm	2019 EURm
Cariprazine	90,650	57,355	33,295	58.1	258.2	176.3
Vraylar® royalty	78,949	47,565	31,384	66.0	224.9	146.2
Vraylar® milestone	7,946	7,072	874	12.4	22.6	21.7
Reagila®	3,755	2,718	1,037	38.2	10.7	8.4
WHC	151,549	140,910	10,639	7.6	431.8	433.1
Bemfola®	16,688	16,127	561	3.5	47.5	49.6
OCs	107,816	95,097	12,719	13.4	307.2	292.3
Teriparatide	8,615	2,651	5,964	225.0	24.5	8.1
Total	**250,814**	**200,916**	**49,898**	**24.8**	**714.5**	**617.5**
Proportion to Pharma Sales (%)	**54.9**	**49.3**				

Top 10 Products

Top 10 Products

	2020 HUFm	2019 HUFm	Change HUFm	%	2020 EURm	2019 EURm
Oral contraceptives	107,816	95,097	12,719	13.4	307.2	292.3
Vraylar® / Reagila® / cariprazine	90,798	57,686	33,112	57.4	258.7	177.3
Mydeton	17,366	19,811	-2,445	-12.3	49.5	60.9
Bemfola®	16,688	16,127	561	3.5	47.5	49.6
Panangin	16,165	15,115	1,050	6.9	46.1	46.5
Verospiron	14,773	13,542	1,231	9.1	42.1	41.6
Cavinton	13,180	24,529	-11,349	-46.3	37.5	75.4
Groprinosin	12,880	7,811	5,069	64.9	36.7	24.0
Aflamin	10,595	10,759	-164	-1.5	30.2	33.1
Lisonorm	9,650	8,043	1,607	20.0	27.5	24.6
Total TOP 10	**309,911**	**268,520**	**41,391**	**15.4**	**883.0**	**825.3**
Total Sales	**457,264**	**407,342**	**49,922**	**12.3**	**1,302.8**	**1,252.0**
Total Top 10 / Total Sales %					**67.8**	**65.9**

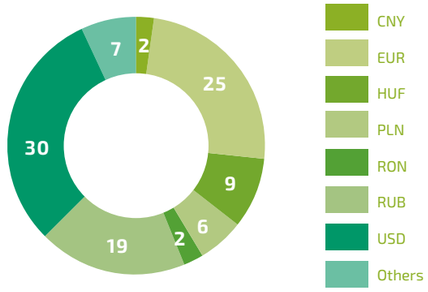
Currency Related Information

Selected Average Exchange Rates

	2020	2019
EURHUF	350.98	325.36
USDHUF	307.26	290.62
RUBHUF	4.25	4.49
CNYHUF	44.79	42.07

Sales by Currency

Pharma Sales 2020 (%)



Sales by Geographies and Currency

Sales by Geographies and Currency

	Currency (million)	2020	2019	Change %
Hungary	HUF	41,086	39,809	3.2
EU*	EUR	389.9	387.2	0.7
EU 12	EUR	189.2	185.8	1.8
Poland	PLN	333.3	309.8	7.6
Romania	RON	168.4	162.6	3.6
EU 15**	EUR	200.7	201.4	-0.3
CIS	EUR	355.9	381.0	-6.6
	USD	406.5	426.6	-4.7
Russia	RUB	20,198.6	19,356.5	4.4
Ukraine	USD	42.6	39.5	7.8
Other CIS	EUR	74.0	78.6	-5.9
	USD	84.5	88.0	-4.0
USA	USD	353.2	244.7	44.3
China	CNY	240.3	451.0	-46.7
Latin America	USD	25.1	24.8	1.2
RoW	EUR	78.2	62.4	25.3
	USD	89.3	69.8	27.9

Notes: * Excluding Hungary
** Including UK

Currency Impact on Turnover

Exchange rate gain at consolidated sales level:	**17,864 HUFm**

Consolidated Financial Information

Consolidated Balance Sheet (HUF)

at 31 December	2020 Audited HUFm	2019 Audited HUFm
ASSETS	**948,589**	**858,651**
Non-current assets	**499,071**	**449,071**
Property, plant and equipment	254,121	244,754
Investment property	110	111
Goodwill	31,398	29,503
Other intangible assets	141,303	127,635
Investments in associates and joint ventures	12,269	16,192
Non-current financial assets at fair value through profit or loss	10,797	5,427
Non-current financial assets at fair value through OCI	38,216	13,603
Deferred tax assets	7,139	6,988
Loans receivable	2,237	2,021
Long term receivables	1,481	2,837
Current assets	**449,518**	**409,580**
Invetories	110,059	98,995
Trade receivables	152,652	154,426
Contract assets	3,080	3,466
Other current assets	27,533	21,376
Current financial assets at fair value	7,142	1,545
Current tax asset	1,196	1,199
Cash and cash equivalents	142,068	128,573
Assets classified as held for sale	5,788	-
EQUITY AND LIABILITIES	**948,589**	**858,651**
Capital and reserves	**813,939**	**724,873**
Equity attributable to owners of the parent		
Share capital	18,638	18,638
Treasury shares	(3,791)	(3,870)
Share premium	15,214	15,214
Capital reserves	3,475	3,475
Foreign currency translation reserves	21,039	22,213
Revaluation reserves for securities at FVOCI	974	8,620
Retained earnings	751,408	653,691
Non-controlling interest	6,982	6,892
Non-current liabilities	**26,712**	**24,216**
Deferred tax liability	1,753	1,925
Other non-current liabilities and accruals	18,306	18,004
Provisions	6,653	4,287
Current liabilities	**107,938**	**109,562**
Trade payables	65,838	61,770
Contract liabilities	772	745
Current tax liabilities	1,993	382
Other payables and accruals	32,734	42,721
Provisions	4,866	3,944
Liabilities directly associated with assets classified as held for sale	1,735	-

Consolidated Income Statement (HUF)

For the year ended 31 December	2020 Audited HUFm	2019 Restated* HUFm
Revenues	**566,776**	**507,794**
Cost of sales	(248,006)	(230,015)
Gross profit	**318,770**	**277,779**
Sales and marketing expenses	(105,555)	(116,304)
Administration and general expenses	(28,211)	(28,977)
Research and development expenses	(53,977)	(48,860)
Other income and other expenses (net)	(17,267)	(44,793)
Reversal of impairment on financial and contract assets	1,329	1,051
Profit from operation	**115,089**	**39,896**
Finance income	28,780	20,500
Finance costs	(29,605)	(10,206)
Net financial (loss)/income	**(825)**	**10,294**
Share of profit of associates and joint ventures	900	658
Profit before income tax	**115,164**	**50,848**
Income tax	(9,112)	(2,418)
Profit for the year	**106,052**	**48,430**
Profit attributable to:		
Owners of the parent	104,683	47,135
Non-controlling interest	1,369	1,295

Consolidated Statement of Comprehensive Income

For the year ended 31 December	2020 Audited HUFm	2019 Restated* HUFm
Profit for the year	**106,052**	**48,430**
Actuarial loss on retirement defined benefit plans	(1,707)	(640)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(1,077)	3,810
Items that will not be reclassified to profit or loss (net of tax)	**(2,784)**	**3,170**
Exchange differences arising on translation of subsidiaries	(591)	8,460
Exchange differences arising on translation of associates and joint ventures	(103)	(179)
Items that may be subsequently reclassified to profit or loss (net of tax)	**(694)**	**8,281**
Other comprehensive income for the year	**(3,478)**	**11,451**
Total comprehensive income for the year	**102,574**	**59,881**
Attributable to:		
Owners of the parent	100,725	58,336
Non-controlling interest	1,849	1,545
Earnings per share (EPS)	**HUF**	**HUF**
Basic	**563**	**253**
Diluted	**563**	**253**

Note: *Restated due to Change in Accounting Policy, see Note 17 (on page 35) in Gedeon Richter Plc. Consolidated Annual Report for the year ended 31 December 2020 for details.

Consolidated Income Statement (EUR)

For the year ended 31 December	2020 Unaudited EURm	2019 Restated* EURm
Revenues	**1,614.8**	**1,560.7**
Cost of sales	(706.6)	(706.9)
Gross profit	**908.2**	**853.8**
Sales and marketing expenses	(300.7)	(357.5)
Administration and general expenses	(80.4)	(89.1)
Research and development expenses	(153.8)	(150.2)
Other income and other expenses (net)	(49.2)	(137.6)
Reversal of impairment on financial and contract assets	3.8	3.2
Profit from operation	**327.9**	**122.6**
Finance income	82.0	63.0
Finance costs	(84.4)	(31.3)
Net financial (loss)/income	**(2.4)**	**31.7**
Share of profit of associates and joint ventures	2.6	2.0
Profit before income tax	**328.1**	**156.3**
Income tax	(25.9)	(7.4)
Profit for the year	**302.2**	**148.9**
Profit attributable to:		
Owners of the parent	298.3	144.9
Non-controlling interest	3.9	4.0
Average exchange rate (EURHUF)	**350.98**	**325.36**

Consolidated Statement of Comprehensive Income

For the year ended 31 December	2020 Unaudited EURm	2019 Restated* EURm
Profit for the year	**302.2**	**148.9**
Actuarial loss on retirement defined benefit plans	(4.8)	(2.0)
Changes in the fair value of equity instruments at fair value through other comprehensive income	(3.1)	11.7
Items that will not be reclassified to profit or loss (net of tax)	**(7.9)**	**9.7**
Exchange differences arising on translation of subsidiaries	(1.7)	26.0
Exchange differences arising on translation of associates and joint ventures	(0.3)	(0.5)
Items that may be subsequently reclassified to profit or loss (net of tax)	**(2.0)**	**25.5**
Other comprehensive income for the year	**(9.9)**	**35.2**
Total comprehensive income for the year	**292.3**	**184.1**
Attributable to:		
Owners of the parent	287.0	179.3
Non-controlling interest	5.3	4.7
Earnings per share (EPS)	**EUR**	**EUR**
Basic	**1.60**	**0.78**
Diluted	**1.60**	**0.78**

Note: *Restated due to Change in Accounting Policy, see Note 17 (on page 35) in Gedeon Richter Plc. Consolidated Annual Report for the year ended 31 December 2020 for details.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

for the year ended 31 December	2020 Audited HUFm	2019 Audited HUFm
Operating activities		
Profit before income tax	115,164	50,848
Depreciation and amortisation	39,846	39,320
Non-cash items accounted through Income Statement	(2,031)	(503)
Net interest and dividend income	(1,504)	(320)
Changes in provision for defined benefit plans	703	733
Reclass of results on changes of property, plant and equipment and intangible assets	767	1,725
Impairment recognised on intangible assets and goodwill	8,256	38,055
Expense recognised in respect of equity-settled share-based payments	1,642	1,636
Movements in working capital		
Increase in trade and other receivables	(3,341)	(33,063)
Increase in inventories	(13,900)	(6,308)
(Decrease)/increase in payables and other liabilities	(4,545)	13,452
Interest paid	(22)	(1)
Income tax paid	(7,515)	(7,360)
Net cash flow from operating activities	**133,520**	**98,214**
Cash flow from investing activities		
Payments for property, plant and equipment	(36,903)	(39,507)
Payments for intangible assets	(29,735)	(18,578)
Proceeds from disposal of property, plant and equipment	432	1,449
Government grant received related to investments	2,197	2,428
Payments to acquire financial assets	(47,454)	(11,633)
Proceeds on sale or redemption on maturity of financial assets	10,807	4,731
Disbursement of loans net	848	492
Interest received	915	914
Dividend received	2	1
Net cash flow to investing activities	**(98,891)**	**(59,703)**
Cash flow from financing activities		
Purchase of treasury shares	(1,650)	(3,539)
Dividend paid	(13,500)	(18,850)
Principal elements of lease payments	(3,143)	(3,791)
Repayment of borrowings	-	(2)
Net cash flow to financing activities	**(18,293)**	**(26,182)**
Net increase in cash and cash equivalents	**16,336**	**12,329**
Cash and cash equivalents at beginning of year	**128,573**	**113,021**
Effect of foreign exchange rate changes on the balances held in foreign currencies	(2,647)	3,223
Cash and cash equivalents at end of year	**142,262**	**128,573**

Consolidated Net Financial Income

Consolidated Net Financial Income

	2020 Audited HUFm	2019 Audited HUFm
Unrealised financial items	**(2,571)**	**(740)**
Exchange (loss)/gain on trade receivables and trade payables	(1,238)	360
Gain on foreign currency loans receivable	699	1,166
Foreign exchange and fair valuation difference of other financial assets and liabilities	1,798	(1,582)
Interest expenses related to IFRS 16 standard	(609)	(594)
Year-end foreign exchange difference related to IFRS 16 standard	(21)	(90)
Impairment loss on investments	(3,200)	-
Realised financial items	**1,746**	**11,034**
Exchange (loss)/gain realised on trade receivables and trade payables	(323)	8,971
Foreign exchange difference on conversion of cash	1,186	1,283
Dividend income	2	1
Interest income	915	914
Interest expense	(22)	(1)
Other financial items	(12)	(134)
Net financial (loss)/income	**(825)**	**10,294**

NOTES

Contact of Gedeon Richter Plc.

Addresses

Registered Office

Gedeon Richter Plc.
Gyömrői út 19-21.
1103 Budapest
Hungary

Addresses for correspondence

Gedeon Richter Plc.
Budapest 10
P.O.Box 27.
1475 Hungary

Investor relations

Investor Relations Department
Gedeon Richter Plc.
Budapest 10
P.O.Box 27.
1475 Hungary

E-mail: investor.relations@richter.hu
www.gedeonrichter.com