GEDEON RICHTER PLC.

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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GEDEON RICHTER PLC.

MANAGEMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

1. Chairman's Letter to the Shareholders

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 Management Report 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 (E4) 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.

A decline in sales experienced by a number of branded generics and traditional products which includes the delisting of Cavinton in China and a credit note which was issued in respect of previously shipped supplies of Cavinton, Additionally, the ongoing price harmonization in Russia has led to a significant decline in sales of our traditional generic portfolio.

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

2. Corporate Review

a. Fact Sheet

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

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

Parent Company Data

Headquarters	1103 Budapest, Gyömrői út 19-21., Hungary
Mail address	1475 Budapest, Pf. 27., Hungary
Phone	+36 1 431 4000
Fax	+36 1 260 4891
E-mail	posta@richter.hu
Website	www.richter.hu
Established	1901
Main activity	Research, development, manufacturing and marketing of pharmaceutical products
VAT Number	10484878-2-44
EU VAT Number	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.richter.hu

b. Consolidated Financial Highlights

	2020	2019	Change	2020	2019
	HUFm	HUFm	%	EURm	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
	HUF	HUF	%	EUR	EUR
Earnings per share [(2)]	563	253	122.5	1.60	0.78
Dividends per ordinary share[(3)]	225	63	257.1	0.62	0.19

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.

c. Corporate Governance

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

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

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

The Board of Directors is the ultimate decision-making body of the Company except with respect to those matters reserved for shareholders. A majority of Directors of the Board are Non-Executive Directors. All the non-executive directors are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The 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. Since 2004 two subcommittees of the Board exist which prepare and submit proposals contributing to the Board's decision-making process. The subcommittees each consist of at least three 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 Compensation 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 Compensation Subcommittee also includes preparing a proposal for the compensation of the Chief Executive Officer.

The Executive Board is responsible for the executive management of the Company's business. The Executive Board is chaired by the Chief Executive Officer.

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

The Audit Board is responsible for the oversight of the Company's internal accounting standards. The Board consists of three independent members of the Supervisory Board who are elected by the AGM. 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.

d. Company's Boards

Board of Directors

Lifetime Honorary Chairman Mr William de Gelsey (1921)

Senior adviser to CA IB Corporate Finance Limited, Member of UniCredit Markets & Investment Banking Division Vienna, London and Budapest. More than 50 years of international investment banking experience. Has significant banking experience in Hungary. A graduate of Trinity College, Cambridge. Member of the Board of Directors from 1995 to April 2017. Chairman of the Board between 1999 and 2016. Lifetime Honorary Chairman of the Company since January 2017.

Mr Erik Bogsch (1947)

Chemical engineer, qualified economic engineer. With Richter since 1970, initially in a number of Research and Development management positions. Medimpex director in Mexico from 1977 to 1983. Managing Director of Medimpex UK from 1988 to 1992. Member of the Board of MAGYOSZ, Chairman between 2006 and 2016. Managing Director of Gedeon Richter from 1992 to November 2017. Member of the Board of Directors from 1992. Chairman of the Company's Board of Directors. Executive Director responsible for Commercial, for Legal and Global Operations, for PR and Government Relations of the Company, since 1 November 2017.

Dr György Bagdy (1955)

Professor of pharmacology and toxicology, Pharm. D., PhD at Semmelweis University, DSc at the Hungarian Academy of Sciences (MTA). Fogarty Visiting Fellow at the Section on Clinical Neuropharmacology, Laboratory of Clinical Science, National Institute of Mental Health (NIMH – Bethesda, USA) between 1986 and 1989. From 1991 to 2001 fellow of the National Institute of Psychiatry and Neurology, Hungary, from 2002 to 2007 its scientific director. Head of Department of Pharmacodynamics at the Faculty of Pharmacy, Semmelweis University since 2008. Vice rector for scientific affairs at Semmelweis University between 2015 and 2018. In 2012 he received the Academy award of the Hungarian Academy of Sciences and in 2014 he was granted the Issekutz Award. Joined the Board in 2019.

Dr Péter Cserháti (1963)

Doctor of medicine, health care manager. He graduated from Semmelweis University, Faculty of General Medicine. From 1988 to 2007, he worked at the National Institute of Traumatology and Emergency. From 2008 he was the Chief Physician of the National Institute of Medical Rehabilitation (OORI), from 2013 he was the Acting Director then Director of the Institution. Since April 2020, he has been the Chief Physician of the OORI. Between 2010 and 2013 Deputy State Secretary for Health Policy. From 2013 to 2019, he was Commissioner of the Ministry of Human Capacities. As part of his teaching activities, he has been an assistant professor at the Independent Department of Medical Rehabilitation and Physical Medicine of the University of Pécs since 2015, later an honorary associate professor, as well as a consultant at the Károli Gáspár University. In 2019, he was awarded the Batthyány-Strattmann László Prize. He has been a member of the Board since April 2020.

Dr Gábor Gulácsi (1958)

Appointed Deputy Managing Director upon joining the Company in 2000. Responsible for Finance. Economist, University doctorate in Economic Sciences. He began his professional career in 1981 as a fellow researcher at the Institute for Economic Planning. He joined in 1988 the team for strategic analyses of the Ministry of Transport and Telecommunication and in 1990 he became Deputy Secretary of State in the Ministry of Industry and Trade and its legal successors. Between 1996 and 1998 he was a member of the management team of Pénzintézeti Központ Rt. and later of Pannonplast Rt. He served as a Secretary of State in the Ministry of Economic Affairs between 1998 and 2000. He joined the Board in 2010.

Dr Ilona Hardy dr Pintérné (1956)
Lawyer, securities specialist. Began her professional career at Hungarian State Development Bank. Between 1988 and 1990 Head of Securities Trading Secretariat. Between 1990 and 1992 founder CEO of the Budapest Stock Exchange and member of its Board. From 1992 to 1994 Board Member of Hungarian State Property Agency, Privatization Agencies (ÁVÜ, ÁPV). Currently Chairperson of the Board „Aranykor" Voluntary Pension Fund, member of the Budapest Stock Exchange Advisory Committee, Chair of the Supervisory Board of BOM, deputy chair of the Hungarian Atlantic Council, Board member of National Association of Voluntary Funds. Member of the Company's Board of Directors since April 2017.

Mr Csaba Lantos (1962)
Economist and sociologist. Employee of Budapest Bank from 1987, later employee of Creditanstalt Group. At the end of the 1990's leader of CA-IB, then from 2000 to 2007 deputy CEO and member of the Board of Directors of OTP Bank Nyrt. Currently member, Chairman of the Board of Directors and of the Supervisory Board of several Hungarian and international companies. Joined the Board in 2010.

Mr Gábor Orbán (1979)
Began his professional career as an economist for the National Bank of Hungary and the European Central Bank. He later joined Aegon Asset Management where he worked as a fund manager and the Head of the fixed income desk. He served as the State Secretary in charge of taxation and the financial sector at the Ministry for National Economy for two and half years, followed by a year spent at Banque Rothschild where he worked as a consultant. He earned his MA degree at the Budapest University of Economics and studied also in the United States. Richter's Director of Corporate Strategy since September 2016, Chief Operating Officer since 1 January 2017. Member of the Company's Board of Directors from April 2017. Appointed Chief Executive Officer from 1 November 2017.

Dr Anett Pandurics (1973)
Economist, from 1998 to 2001 consultant at IFUA Horváth & Partner Ltd. From 2001 to 2005 Strategic Coordination Director at Magyar Posta Rt. From 2005 Chief Executive Officer and Chairman of the Board of Directors of Hungarian Post Insurance Co. (Magyar Posta Biztosító Zrt.) and Hungarian Post Life Insurance Co. (Magyar Posta Életbiztosító Zrt.). Since 2009 Executive Board Member of the Association of Hungarian Insurance Companies, from 2013 its President. Member of the Board of Directors since April 2018.

Mr Bálint Szécsényi (1974)
Economist, graduated at the Budapest University of Economics. Employed by Equilor Investment Ltd. since 2000, Corporate Finance Director from 2002 to 2004, Managing Director between 2005 and 2009. Since 2010 Chief Executive Officer at Equilor Investment Ltd. Chairman of the Supervisory Board at Equilor Asset Management Ltd. and Chief Executive Officer of Central-Eastern European Private Equity and Venture Capital Management Ltd. Vice-president of Budapest Stock Exchange between 2011 and 2015. Member of the Board of Directors since April 2018.

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

Executive Board

Mr Gábor Orbán (1979)
Began his professional career as an economist for the National Bank of Hungary and the European Central Bank. He later joined Aegon Asset Management where he worked as a fund manager and the Head of the fixed income desk. He served as the State Secretary in charge of taxation and the financial sector at the Ministry for National Economy for two and half years, followed by a year spent at Banque Rothschild where he worked as a consultant. He earned his MA degree at the Budapest University of Economics and studied also in the United States. Richter's Director of Corporate Strategy since September 2016, Chief Operating Officer since 1 January 2017. Member of the Company's Board of Directors from April 2017. Appointed Chief Executive Officer from 1 November 2017.

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Chemical engineer, qualified economic engineer. With Richter since 1970, initially in a number of Research and Development management positions. Medimpex director in Mexico from 1977 to 1983. Managing Director of Medimpex UK from 1988 to 1992. Member of the Board of MAGYOSZ, Chairman between 2006 and 2016. Managing Director of Gedeon Richter from 1992 to November 2017. Member of the Board of Directors from 1992. Chairman of the Company's Board of Directors. Executive Director responsible for Commercial, for Legal and Global Operations, for PR and Government Relations of the Company, since 1 November 2017.

Dr István Greiner (1960)
Appointed Research Director in 2014. Chemical engineer (MSc), a qualified patent attorney, has a PhD and an MBA degree (Open University, UK). Joined Richter in 1984 and has held a number of management positions including Head of Chemical R&D, Head of the Patent Department between 1996 and 1999. In 2001 he was appointed Deputy to the Research Director and from 2006 he also became responsible for the new recombinant biotechnological activity of the Company.

Dr Gábor Gulácsi (1958)
Appointed Deputy Managing Director upon joining the Company in 2000. Responsible for Finance. Economist, dr. univ in Economic Sciences. He began his professional career in 1981 as a fellow researcher at the Institute for Economic Planning. He joined in 1988 the team for strategic analyses of the Ministry of Transport and Telecommunication and in 1990 he became Deputy Secretary of State in the Ministry of Industry and Trade and its legal successors. Between 1996 and 1998 he was a member of the management team of Pénzintézeti Központ Rt. and later of Pannonplast Rt. He served as a Secretary of State in the Ministry of Economic Affairs between 1998 and 2000. He joined the Board in 2010.

Mr Tibor Horváth (1974)
Appointed Commercial Director since August 2017. Has an MSc in Biology and Chemistry and an MBA in Marketing and International Commerce. Joined Richter in 1999 as a market analyst then worked as a licensing manager. In 2005 he was appointed Managing Director of Richter's German subsidiary Gedeon Richter Pharma GmbH, where he worked until August 2017.

Dr György Thaler (1959)
Appointed Development Director in 1993. Chemical engineer, University doctorate in Chemical Sciences. With Richter since 1983 in a number of management positions. Member since 2001 of the Executive Committee and of the Board of Medicines for Europe (former European Generics Medicines Association, EGA) and Chairman of the Legal Affairs Committee of the same organization since its establishment.

Supervisory Board

Dr Attila Chikán (1944)
Professor of the Corvinus University of Budapest, Business Economics Department. Manager of the Competitiveness Research Centre, doctor of the Hungarian Academy of Sciences. Between 2000 and 2003 Rector of the Budapest University of Economics and Public Administration. From 1998 to 1999 Minister of Economy. Chairman of the Supervisory Board since 2000. Member, Chairman of Audit Board.

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

Dr Zsolt Harmath (1975)
Economist, certified accountant. In 2005 he graduated in law as a second degree. From 1999 to 2010 employed by Magyar Posta Zrt. in different financial positions. From 2003 to 2004 Deputy Manager of Finance; from 2005 responsible for the Company's SAP System. From 2010 Director of Controlling, CPA and Property appraisal at Hungarian National Asset Management Inc. Since 2014 Director responsible for Finance at Hungarian National Asset Management Inc. He is a member of the Board of Directors of National Business Services Ltd. and HM ARMCOM Zrt. Chairman of the Supervisory Board of FHB Mortgage Bank Co. Plc. and BMSK Zrt. Member of the Supervisory Board of RÁBA Nyrt. and Magyar Közlöny Lap- és Könyvkiadó Korlátolt Felelősségű Társaság. Joined the Supervisory Board and Audit Board in April 2018.

Mrs Klára Kovácsné Csikós (1954)
Employee representative. Chemical technician, general manager of advanced level. With Richter since 1972. Formerly laboratory technician, official in charge of innovation, then technologist. Currently manager assistant at the Department of Technical services. Member of the Works Council since 2007. Chairman of the Works Council since 2010. Joined the Supervisory Board in 2015.

Dr Éva Kovácsné Kozsda (1962)
Employee representative. Chemical engineer, quality management auditor, MBA. With Richter since 2003. Formerly product manager at the Department of Technician services. Currently project official in charge of active ingredients at Department of Chemistry. Joined the Supervisory Board in 2015.

Changes to Boards during 2020

In the convocation of the annual general meeting of the Company published on March 27, 2020 Gedeon Richter Plc. has announced that due to the situation caused by the coronavirus epidemic (COVID-19) and having regard to applicable laws (in particular Section 4 of Government Decree No. 46/2020. (III.16.)) the Company sees no possibility to hold its annual general meeting previously set to the day of April 28, 2020 in the corporate action timetable for year 2020, in person in accordance with the regulations of the Company's Statutes.

Subsequently, on 14 April 2020 the Company informed its shareholders that, according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary from the differing regulations related to the operation of partnership and company organs under the period of the state of emergency (hereinafter Gov. Decree no.: 102/2020.), no general meetings can be held in a way which would require the physical presence of the shareholders during the state of emergency related to the coronavirus pandemic. Thus, the Company did not hold its Annual General Meeting convoked for 28 April 2020.

According to Gov. Decree no.: 102/2020 the Board of Directors has the right to decide about any and all issues listed on the already published agenda of the previously convoked AGM.

On 28 April 2020 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Gov. Decree no. 102/2020 (IV.10.) – acting in competence of the General Meeting approved
Dr Péter Cserháti
being elected as the member of the Board of Directors for a three-year period until the 2023 AGM.

On 28 April 2020 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Gov. Decree no. 102/2020 (IV.10.) – acting in competence of the General Meeting approved
Mr Erik Bogsch,
Mr Gábor Orbán,
Dr Ilona Hardy dr Pintérné and
Prof. Dr. E. Szilveszter Vizi
being re-elected as members of the Board of Directors for a three-year period until the 2023 AGM.

The membership of Dr Kriszta Zolnay in the Board of Directors expired on the date of the AGM 2020.

3. Investor Information

a. 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 April 15, 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 March 12, 2021.

The published date and venue of the AGM: April 15, 2020 at 2.00 p.m., H-1103 Budapest Gyömrői út 19-21.

b. Dividend

In accordance with the dividend policy practised by the Company, the Board of Directors recommends the payment of 40 percent of Gedeon Richter Plc.'s consolidated profit attributable to owners of the parent calculated according to International Financial Reporting Standards (IFRS) for 2020.

Dividends as approved by the Board of Directors on 28 April 2020 totalled HUF 11,742m in respect of 2019. The portion payable in relation to ordinary shares amounted to HUF 63 per share, 63 percent of the nominal share value.

Payout procedures as decided by the Board of Directors was published in an official announcement on 14 May 2020. The starting date for distributing dividend payments was 15 June 2020.

c. Information Regarding Richter Shares

i. Share Price and Market Capitalization

The Gedeon Richter Plc. share price on 2 January 2020 was HUF 6,500 and its closing value on 30 December was HUF 7,440 having recorded an increase of HUF 940 or 14.5 percent during the year in review. Minimum share price was recorded on 23 March at HUF 5,420 while it reached its yearly peak on 10 December 2020 at HUF 7,580.

The Company's market capitalisation linked to the performance of its share price on the Budapest Stock Exchange at the end of 2020 was HUF 1,387bn reflecting an approximately 15 percent increase in HUF terms when compared to its value recorded on 30 December 2019. Market capitalisation on 30 December 2020 in Euro terms was EUR 3.8bn.

ii. Shares in Issue

The total number of shares in issue at 186,374,860 as of 31 December 2020 remained unchanged from the levels reported as at 31 December 2019.

iii. Treasury Shares

	Reason of purchase	Number	Nominal value (HUF)	% as of share capital	Book value (HUF)
Opening balance		**672,205**	**67,220,500**	**0.361**	**3,885,871,356**
out of which owned by Parent Company		***666,705***	***66,670,500***	***0.358***	***3,874,928,988***
Purchased	Bonus, Remuneration, Programme approved by NTCA*	225,138	22,513,800	0.121	1,616,335,196
ESOT repurchased					
ESOT year-end pay-off					
Shares repurchased (OTC)	Bonus, Remuneration, Programme approved by NTCA*	4,935	493,500	0.003	33,015,150
Repurchased through Programme approved by NTCA*	Programme approved by NTCA*	14,242	1,424,200	0.008	95,362,713
Total share purchased		**244,315**	**24,431,500**	**0.131**	**1,744,713,059**
Professional Development Programme		9,715	971,500	0.005	57,468,855
ESOT shares transferred		493,103	49,310,300	0.265	2,845,417,565
Granted through Programme approved by NTCA*		277,947	27,794,700	*0.149*	1,766,136,623
Total utilization		**780,765**	**78,076,500**	**0.419**	**4,669,023,043**
Closing balance		**135,755**	**13,575,500**	**0.073**	**961,561,372**
out of which owned by Parent Company		***130,255***	***13,025,500***	***0.070***	***950,619,004***

Note:
*National Tax and Customs Administration of Hungary

The table above excludes the shares held by the Employee's Share-Ownership Trust. The number of shares held by the Group in Treasury increased during 2020.

The Company purchased 225,138 shares on the Budapest Stock Exchange, while a further 4,935 shares were acquired on the OTC market.

In early 2018 the Management of the Company established the Richter Gedeon Plc Employee's Share-Ownership Trust ("Richter ESOT") aiming to strengthen the performance and loyalty of its officers and key employees.

In accordance with the foundation charter and the Incentive Policy of the Gedeon Richter Plc. Employee's Share-Ownership Trust ("Richter ESOT") 493,103 treasury shares were transferred during the first quarter 2020 to the ESOT.

Based on a decision of the Board of Directors, 9,715 shares held by the Company in treasury were granted in June 2020 to employees participating in a bonus share programme and to other employees who rendered outstanding performance.

In accordance with a repurchase obligation stipulated in the programme related to employee share bonuses, the Company repurchased 14,242 shares from employees who resigned from the Company during 2020.

In line with a programme related to employee share bonuses, on 17 December 2020 the Company granted a total of 277,947 shares in respect of 4,783 of its employees. The above shares in the value of HUF 1,766m will be deposited at employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 2 January 2023.

The total number of Company shares at Group level held in Treasury at 31 December 2020 was 135,755, which includes 5,500 ordinary Richter shares held by the Group's subsidiaries, a holding unchanged when compared to the number reported as of 31 December 2019. ESOT owns further 2,260 shares, which are excluded from the above figures.

On 2 January 2021, following the expiry of the lock-up period, the Company was able to remove all restrictions on 324,226 Richter ordinary shares granted to its employees on 18 December 2018 according to its programme related to employee share bonuses, thereby enabling these shares to be traded.

iv. Voting Rights

Article 13.8 of the Statutes of the Company limits the exercise of voting rights to a maximum of 25 percent both for single vote or joint vote exercised by linked interests.

v. Registered Shareholders

The shares owned by the Hungarian State and held by the Hungarian State Holding Company (MNV Zrt.) declined to 5.25 percent as the Hungarian State transferred a 10 percent stake to the Tihanyi Foundation. The proportion held by domestic investors increased to approximately 33 percent while that of international investors slightly decreased to approximately 66 percent. The proportion of treasury shares including the earlier mentioned holding of subsidiaries was 0.34 percent at the end of 2020.

Ownership	**Ordinary shares**	**Voting rights**	**Share capital**
	Number	%	%
Domestic ownership	**61,903,445**	**33.33**	**33.22**
State ownership total	9,777,784	5.27	5.25
out of which MNV Zrt.	9,777,658	5.27	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	45,829,116	24.67	24.59
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.03	10.00
out of which Tihanyi Foundation	18,637,486	10.03	10.00
Retail investors	6,296,545	3.39	3.38
International ownership	**123,776,762**	**66.64**	**66.41**
Institutional investors	123,554,744	66.52	66.29
Retail investors	222,018	0.12	0.12
Treasury shares*	**631,118**	**0.00**	**0.34**
Undisclosed ownership	**63,535**	**0.03**	**0.03**
Share capital	**186,374,860**	**100.00**	**100.00**

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

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

vi. Ordinary Shareholdings by the Members of the Company's Boards

	31 December 2020	**31 December 2019**
	Number of ordinary shares	Number of ordinary shares
Board of Directors	51.599	51,599
Supervisory Committee	1.967	1,967
Executive Board	4.985	4,727
Total	**58.551**	**58,293**

Membership of the Company’s Boards is shown on pages 7-10 of the Management Report.

4. Chief Executive Officer's Review

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 employee's 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 43.

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. 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

5. Strategic Initiatives

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

Consequently, the following strategic initiatives have been defined:

a. Cariprazine – Strategic Pillar

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.

Cariprazine - Operating Developments

In our endeavour to exploit additional medical and commercial potential of cariprazine, 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).

Reagila® was launched in several countries in 2020, including countries of the EU and the CIS, the Non-EU regions and Other markets thereby achieving cariprazine's near global presence. In accordance with an exclusive license and distribution agreement with Hikma Pharmaceuticals signed in 2019, regulatory activities are ongoing in a number of MENA countries. Followed by successful registration Reagila® is on the market in Israel, marketed by Dexcel. Reagila® was also launched in Singapore and Thailand by Richter's local partner, Mitsubishi Tanabe Pharma Corporation. In addition, the product received regulatory approval in Malaysia. Richter also signed a licence and supply agreement with WhanIn Pharm. Co., Ltd. for the commercialisation of cariprazine in the South Korean market in the reported year.

b. Original Research with Focus on CNS – Strategic Pillar

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.

c. Women's Healthcare – Strategic Pillar

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.

Women's Healthcare – Operating Developments

As a result of the partnership established in 2018 between Richter and Mithra, in February 2020, EMA started the evaluation of Richter's marketing authorisation application for a novel combined oral contraceptive containing estetrol (E4) and drospirenone. In December 2020 Richter and Estetra S.A., the wholly owned subsidiary of Mithra announced that they have extended their partnership to include key markets in Latin America.

In March 2020, Richter and Myovant Sciences entered into an exclusive license agreement to commercialize Relugolix® combination tablet (relugolix 40 mg, estradiol 1.0 mg and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the CIS including Russia, Latin America, Australia and New Zealand.

In August 2020, Richter and its partner Palette Life Sciences AB received national marketing authorization for Lidbree™ in the United Kingdom. The product is a novel, proprietary thermo gelling intrauterine formulation that can provide significant pain relief during common gynaecological procedures, by substantially reducing pain and discomfort in women undergoing gynaecological interventions.

In December 2020, Richter signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra® transdermal contraceptive patch assets. Janssen will provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. 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.

A new Pharmacovigilance Risk Assessment Committee (PRAC) review procedure was initiated in March 2020 in respect of Esmya®, which resulted in a suspension of sales. 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. Subsequently, in November 2020, the Committee for Medicinal Products for Human Use (CHMP) recommended restricting use of Esmya®. Consequently, the product can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have failed. Esmya® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment. In January 2021 European Commission adopted CHMP opinion on the restricted use of Esmya®.

d. Biosimilar Business – Strategic Pillar

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.

Biosimilar Business Operating Developments

In April 2020, Richter entered into an asset purchase agreement with Mycenax Biotech Inc. in respect of a biosimilar tocilizumab developed by the latter for the treatment of rheumatoid arthritis. The biosimilar tocilizumab asset comprises the cell lines, intellectual property rights, technology know-how and data generated by Mycenax.

In the same month, Richter-Helm Biologics, a Richter and Helm joint venture announced that it had entered into an agreement with US based INOVIO to expand its manufacturing partnership in order to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

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.

e. Branded Generic and Traditional Products – Strategic Pillar

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.

Branded Generic and Traditional Products – Operating Developments

Our antiviral product, Groprinosin saw outstanding demand during 2020 in certain traditional markets as a consequence of the COVID-19 pandemic.

Prices of certain drugs included in the Essential Drug List have been reviewed by the Authority in Russia and adjustments are expected to come into effect during the first half 2021. Sales of Cavinton was negatively impacted as a consequence of price decreases implemented by the Government in the reported year.

The delisting of Cavinton injectables announced in the second half of 2019 by Chinese authorities came into effect on 1 January 2020 and resulted in a significant loss of sales of this product. In addition to the above, a credit note amounting to EUR 10.1m was issued in respect of previously shipped supplies of Cavinton.

6. Review of Operations

a. Macroeconomic Environment

According to OECD Statistics global GDP rate declined by 4.2 percent in 2020 due to the social and economic effects of the COVID-19 pandemic. Output in the second quarter was 10 percent below that recorded at the end of 2019. Production rebounded again in the third quarter in line with containment measures being gradually lifted stabilising for the rest of the year at about 4 percent below pre-pandemic levels. The pandemic continues to cause significant social and economic damages.

The Hungarian economy is expected to have declined by 6.4 percent according to the preliminary assessment of by the Ministry of Finance. This decline was caused primarily by a high exposure to foreign trade together with a fall in transportation services. A relatively high share of tourism and related sectors in the national economy also negatively impacted Hungary when compared to other countries in the Central and Eastern European region.

The Economy in the European Union contracted by 7.8 percent in 2020 as per preliminary data released by the European Commission. The unemployment rate in the EU increased from 6.7 percent in 2019 to around 7.7 percent in 2020. Public deficit across the EU is also expected to have increased significantly during the reported year.

As far as the CIS region is concerned, the Russian economy contracted in 2020 by 3.1 percent, according to preliminary estimates released by Rosstat, a contraction which was last experienced in 2009. The decline experienced arose primarily from a downturn in domestic demand consequent to pandemic related constraining measures. Depressed global energy prices and domestic oil output under pressure also impacted adversely the country's foreign trade balance. Inflation recorded in the CIS countries reached a 15-month high by the end of the year under review. This acceleration was mostly due to rising prices experienced in Russia and Ukraine.

In 2020 GDP rate declined by 2.4 percent in the USA according to the preliminary data released by the Federal Open Market Committee. In the second quarter economy plunged at an all time negative record rate of 31.4 percent with the lowest ever production levels recorded since records began to be kept in 1947.

The Latin-American economy contracted overall by some 8.1 percent compared to 2019 as published by recent studies released by the International Monetary Fund. Recovery in the region is believed to be among the slowest in emerging markets due to the seriously damaged labour markets and poor investment rates complementing certain economic problems witnessed prior to the epidemic in some countries of the region.

China's GDP growth was at 2.3 percent in 2020 supported by higher levels of investment and an improving consumption sector. China was the only major economy worldwide that reported growth in 2020, nevertheless the rate was at its lowest over a 44 year span.

b. Industry Trends

The pharmaceutical industry has been also fundamentally impacted by the COVID-19 pandemic and the restrictive response measures implemented by authorities worldwide. In a short period, the dependency of the pharmaceutical industry on technology saw companies actively investigating issues linked to digital transformation. While developing digital strategies, their focus has been centred on increasing efficiency while minimizing risk.

Digital Tools and Data Analytics

Since COVID-19 hit, companies have been forced to upgrade their systems and learn how to facilitate employees working from home. This change, which was projected to complete over the next 5 to 10 years, has instead accelerated over a matter of months.
During the pandemic, the use of digital health has become more popular among physicians, and in addition, virtual medicine approaches have been crucial in reducing the spread of the virus and pressure on hospital emergency departments.

Digitization toward Sales and Marketing

Sudden lockdown and related restrictions have been driving new, meaningful ways of building interpersonal connections through digital interactions. Pharmaceutical companies have been forced to implement reactive, rather than proactive, commercial strategies as they focus on the crisis and short-term solutions.

In the long term, it is thought that pharmaceutical companies will have to weigh the advantages of cost saving digital marketing against the benefits of in-person human contacts.

Human Resources to Support the Move towards Digitization

One of the most challenging issues HR has had to manage is helping employees balance their work and life in the new situation. Companies quickly pulled together workshops to educate employees on good practices, including stress management.

New Ways of Operating for Clinical Trials and Specific Therapies

The pandemic has required new ways of carrying out clinical trials safely and effectively. Ongoing clinical trials with recruited patients were continued, but recruiting new patients presented a challenge. Increased exposure to COVID-19 during recruitment has caused significant delays in trials. In addition, high-risk patients are reluctant to go to hospitals to get the necessary treatment.

New Digital Era for Regulatory Affairs and Compliance

Regulatory authorities have been flexible about many processes during this emergency period. They have accepted document formats that would not have been considered under normal conditions, such as the approval procedure of a number of vaccines and other medicines and medical devices that were considered crucial during the pandemic.
Consequently, authorities are expected to consider keeping these procedures in the future and establishing similar measures with the same flexibility for all marketing authorizations.

Further Pressure on Public Healthcare Budgets

This long-term pressure on the industry is not expected to ease over the next few years.

Mergers and Acquisitions (M&A)

The sector has been characterised by aggressive M&A activity over the past decade. Even though certain transactions broke the billion-dollar mark during the year under review, M&A activity significantly slowed down mainly due to the pandemic.

Aging Population Worldwide

As a WHO study suggests, the proportion of population above 60 years of age will nearly double by 2050, estimated to become 22 percent worldwide.

c. Consolidated Sales

	HUFm				EURm	
	2020	**2019**	**Change**		**2020**	**2019**
	12 months to December			%	12 months to December	
Total	566,776	507,794	58,982	11.6	1,614.8	1,560.7

d. Pharmaceutical Sales

	HUFm				Notes	EURm	
	2020	2019	Change			2020	2019
	12 months to December			%		12 months to December	
Hungary	41,086	39,809	1,277	3.2	1)	117.0	122.4
EU*	136,848	125,982	10,866	8.6	2)	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
EU 15**	70,426	65,524	4,902	7.5		200.7	201.4
CIS	124,914	123,969	945	0.8	3)	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	4)	309.2	218.5
China	10,764	18,975	-8,211	-43.3	5)	30.7	58.3
Latin America	7,694	7,210	484	6.7	6)	21.9	22.2
RoW	27,449	20,296	7,153	35.2	7)	78.2	62.4
Total	457,264	407,342	49,922	12.3		1,302.8	1,252.0

Notes:
* excluding Hungary
** including UK

e. Notes to Pharmaceutical Sales

1) Hungary

The underlying market experienced a growth rate of 7.3 percent and retail sales of Richter products achieved a slight increase of 1.0 percent according to the latest available IQVIA (successor of IMS) data. The Company is now ranked No. 5 amongst players in the Hungarian pharmaceutical market with a market share of 4.6 percent. Taking into account only the prescription drugs retail market, Richter qualifies for second place with a market share of 7.3 percent.

2) European Union

The EU12 region sales represented 49 percent of total EU sales of the Group's pharmaceutical segment.

The higher sales of our antiviral product, Groprinosin contributed primarily to the performance achieved in Poland.

In Romania sales of some well-established branded generic products increased during the reported period while OCs also contributed to the sales performance achieved.

Turnover in the EU15 region increased by 7.5 percent expressed in HUF terms. Growth recorded in Spain, Belgium and Portugal contributed the most to the sales level achieved during the reported period. As far as the product portfolio is concerned higher sales of oral contraceptives and Terrosa® more than offset the lower Esmya® sales. Additionally, the turnover of Bemfola® contributed materially to the sales levels achieved during the reported period. The region represented 51percent to total EU pharmaceutical sales.

3) CIS

Sales to Russia at HUF 85,844m (RUB 20,198.6m) declined marginally in HUF terms. The RUB depreciated against the HUF an average of 5.3 percent during 2020. A volatile market environment was further aggravated by sales turbulence in connection with the pandemic. Direct promotional activities were suspended by the Authorities in April 2020 and they could only resume in mid-August albeit with some difficulties experienced in certain regions.

Prices of certain drugs included in the Essential Drug List have been reviewed by the Authority and adjustments are expected to come into effect during the first half 2021. The above price harmonization is expected to negatively impact turnover in Russia by near RUB 0.5bn during 2021.

Product serialization linked to a track and trace system was implemented in Russia with effect from 1 July 2020. Teething problems with the system of distribution and sale of serialized boxes created an additional burden on manufacturers, wholesalers and pharmacies until November 2020; however, relaxing measures adopted thereafter significantly improved the situation. The negative impact of such administrative measures remained therefore contained.

A price adjustment of an average around 4 percent impacted positively our overall portfolio during 2020.

A significant increase recorded in the sales of originator products was accompanied by a higher level of drug related expenditures financed by the state. Generic manufacturers recorded flat or near flat sales in RUB terms. Local manufacturers realised higher sales in volume terms compared to declining sales of foreign drug producers.

Sales levels during the reported year at EUR 244.6m declined by 8.4 percent when compared to 2019 as a result of the RUB depreciating sharply against the EUR during the reported year.

As a result of the ongoing restructuring of the Russian wholesaling market and deteriorating liquidity at pharmacy chains Richter continues to place special emphasis on conducting a cautious credit policy.

Sales reported in Ukraine at USD 42.6m were higher primarily due to a year on year growth achieved by antiviral Groprinosin and oral contraceptives. Sales to Other CIS markets reported a slight growth in HUF terms primarily due to an exceptional performance of Groprinosin. Declining exchange rates experienced in certain countries of this group were broadly offset by limited price increases applied across the region.

4) USA

The USA has become our leading market as far as revenue is concerned. The significant year-on-year growth was primarily due to the accelerating royalty income based on turnover achieved by our partner, AbbVie/Allergan. Additionally, similar to the base period a one-off sales related milestone income of HUF 7,946m (USD 25.9m) linked to Vraylar® was accounted in the reported period. Higher sales of finished form Plan B / Plan B One-Step also contributed to sales levels achieved together with certain steroid based and non-steroid API shipments.

5) China

The delisting of Cavinton injectables announced in the second half of 2019 by Chinese authorities came into effect from 1 January 2020 and resulted in a significant loss of sales of this product. In addition to the above, a credit note amounting to EUR 10.1m was issued in respect of previously shipped supplies of Cavinton. These negative impacts were partly offset by higher sales of our WHC portfolio.

Higher sales levels of the above mentioned WHC portfolio have been achieved amidst an environment where marketing contacts were severely reduced due to the pandemic. Responding to the requirements imposed by the changing business environment Richter has broadened its digital marketing channels by opening new distribution platforms to support sales of its emergency contraceptive product while the geographic coverage was also expanded of those hospitals which have access to Bromocriptin.

6) Latin America

Higher turnover of oral contraceptives and the pandemic related forestalling entirely offset in HUF terms a decline in emergency contraceptives and lower Esmya® sales. The decline in the EUR denominated turnover recorded in this region was primarily due to depreciating local currencies.

Improving logistics implemented at our operations resulted in better market positions achieved in certain countries of this region such as Chile and Peru. Business operations, although conducted under special regulations aimed towards addressing the pandemic were nevertheless positively impacted by lower Sales and marketing costs.

7) Rest of the World

Vietnam with oral contraceptives, Japan with teriparatide and Australia with Bemfola® contributed materially to the sales performance achieved during the reported period. Certain one-off oral contraceptive shipments also impacted positively the sales growth achieved in this region.

f. Background Information on Pharmaceutical Sales

By Region in Currencies of Invoicing

	Currency (million)	2020	2019	Change %
		12 months to December		
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

Top 10 Markets

	HUFm				EURm	
	2020	2019	Change		2020	2019
	12 months to December			%	12 months to December	
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

Top 10 Products

	HUFm				EURm	
	2020	**2019**	**Change**		**2020**	**2019**
	12 months to December			%	12 months to December	
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

g. Specialty Sales

	HUFm				Notes	EURm	
	2020	**2019**	**Change**			**2020**	**2019**
	12 months to December			%		12 months to December	
cariprazine	90,650	57,355	33,295	58.1	8)	258.2	176.3
Vraylar® royalty	78,949	47,565	31,384	66.0		224.9	146.2
Vraylarv® 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	9)	431.8	433.1
Bemfola®	16,688	16,127	561	3.5	10)	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	12)	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					

h. Notes to Specialty Sales

8) Cariprazine – Central Nervous System

Vraylar® royalty income due to Richter in 2020 amounted to HUF 78,949m (USD 256.9m). This amount contributed materially to the sales levels achieved during the reported year.

In accordance with the terms of the contract between our companies AbbVie / Allergan paid a one-off sales related milestone upon exceeding for the first time USD 1,000m worth of net Vraylar® sales realised during any 12 consecutive months. According to IFRS regulations such incomes are to be presented at the top line as turnover proceeds linked to regular operations.

Sales related milestones in respect of Vraylar® sales recorded in the USA by our partner, AbbVie/Allergan amounted to HUF 7,946m (USD 25.9m) when compared to the amount received on a similar basis during 2019 of HUF 7,072m (USD 24.3m).

Proceeds from Reagila® amounted to HUF 3,755m (EUR 10.7m) during the reported period.

Figures shown in the following table are actual figures except for royalty income recorded in the last quarter in respect of Reagila®.

	Turnover (Royalties included)				
	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
USDm / Vraylar® (royalty+API)	76.3	68.2	58.8	54.1	57.4
EURm / Reagila® (royalty+product sales)	3.0	2.5	2.8	2.4	2.8

Recent Developments

USA

Despite the growing difficulties caused by the pandemic, which impacted the promotion and sales of Vraylar® also during the fourth quarter of 2020, the product achieved further quarter on quarter growth in sales.

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).

Europe – EU

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 been on the market already 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.

Europe – Non-EU

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.

CIS

In Russia Reagila® achieved Essential Drug List (EDL) status with effect from 1 January 2020 and 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.

Other Markets

Following the initial launch of cariprazine in the USA and its introduction to the EU and CIS markets over the past few years, Richter has succeeded through several bilateral agreements to ensure cariprazine's near global presence.

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.

9) Women's Healthcare – Core Business

WHC Sales by Region

	HUFm				EURm	
	2020	**2019**	**Change**		**2020**	**2019**
	12 months to December			%	12 months to December	
Hungary	4,264	4,748	-484	-10.2	12.2	14.6
EU*	67,299	65,597	1,702	2.6	191.7	201.6
EU 12	16,063	16,194	-131	-0.8	45.7	49.8
Poland	5,791	5,755	36	0.6	16.5	17.7
Romania	2,022	1,988	34	1.7	5.7	6.1
EU 15**	51,236	49,403	1,833	3.7	146.0	151.8
CIS	37,300	33,105	4,195	12.7	106.2	101.8
Russia	30,465	26,754	3,711	13.9	86.8	82.3
Ukraine	2,754	2,348	406	17.3	7.8	7.2
Other CIS	4,081	4,003	78	1.9	11.6	12.3
USA	14,083	12,630	1,453	11.5	40.1	38.8
China	11,038	9,128	1,910	20.9	31.5	28.1
Latin America	5,502	5,546	-44	-0.8	15.7	17.0
RoW	12,063	10,156	1,907	18.8	34.4	31.2
Total	151,549	140,910	10,639	7.6	431.8	433.1

Notes:
* Excluding Hungary
** Including UK

When expressed in HUF terms WHC sales were higher in the twelve months to December 2020 across most of the relevant markets with the exception of Hungary, the EU12 region and Latin America. The above increase was achieved in spite of a substantial decline recorded in Esmya® sales and a slight year-on-year decrease experienced in Bemfola® turnover when expressed in EUR. Turnover of WHC products increased primarily in Russia, in China and in the RoW countries as a result of higher sales levels recorded primarily by our oral contraceptives.

Proportion of WHC Sales to Total Pharmaceutical Turnover – by Region

	%	
	2020	**2019**
	12 months to December	
Hungary	10.4	11.9
EU*	49.2	52.1
EU 12	24.2	26.8
EU 15**	72.7	75.4
CIS	29.8	26.7
USA	13.0	17.8
China***	n.a.	48.2
Latin America	71.7	76.6
RoW	44.0	50.0
Total	33.1	34.6

Notes:
* Excluding Hungary
** Including UK
*** As a credit note was issued during the third quarter in respect of previously shipped stocks of Cavinton the proportion of WHC sales to total sales in China is not available

EU15 Top 5 Markets

	EURm	
	2020	**2019**
	12 months to December	
Germany	35.0	32.9
Spain	24.7	27.0
Italy	21.1	23.1
France	17.1	23.5
UK	14.9	18.8
Total Top 5 Sales	112.8	125.3
Total EU15 Sales	146.0	151.8
Total Top 5 Sales %	77.3	82.5

10) Bemfola® – Women's Healthcare

	HUFm				EURm	
	2020	**2019**	**Change**		**2020**	**2019**
	12 months to December			%	12 months to December	
Hungary	683	944	-261	-27.6	1.9	2.9
EU*	12,756	12,511	245	2.0	36.3	38.5
EU 12	1,498	1,439	59	4.1	4.3	4.4
EU 15**	11,258	11,072	186	1.7	32.0	34.1
CIS	20	0	20	n.a.	0.1	0.0
RoW	3,229	2,672	557	20.8	9.2	8.2
Total	16,688	16,127	561	3.5	47.5	49.6

Notes:
* Excluding Hungary
** Including UK

Bemfola® sales fell short in the second quarter of 2020 primarily due to the closing of most of the fertility centres for a period of almost three months. Although this trend was reversed in the third quarter the second wave of the pandemic and the tightening safety measures gradually reintroduced at the end of the third quarter and during the last quarter of the reported year caused an overall weaker sales performance recorded in 2020. Total sales performance of this product reported for the twelve months to December 2020 in EUR terms declined by 4.2 percent when compared to 2019.

11) Esmya® – Women's Healthcare

A new Pharmacovigilance Risk Assessment Committee (PRAC) review procedure was initiated in March 2020 in respect of Esmya®, which resulted in a suspension of sales. 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 Richter announced that the European Commission (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 European Medicines Agency (EMA), which was published on 13 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.

12) Teriparatide – Biosimilar Portfolio

Total sales proceeds from teriparatide amounted to HUF 8,615m (EUR 24.5m) in 2020. Following the patent expiry of the original product, Richter launched its biosimilar, Terrosa® in the EU in August 2019. Furthermore, in co-operation with Mochida Pharmaceuticals the product was licensed out for commercialisation in Japan, where it was launched in late November 2019. Sales proceeds from Japan contributed by HUF 2,558m representing 30 percent of total sales achieved by the product.

i. Business Segment Information

	Pharmaceuticals		Wholesale and retail		Other		Eliminations		Group total	
	12 months to December		12 months to December		12 months to December		12 months to December		12 months to December	
	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

j. Consolidated Financial Overview – Balance Sheet, P&L, Cash Flow

Consolidated Balance Sheet

	31 December 2020 Audited HUFm	Notes	31 December 2019 Audited HUFm	Change %
ASSETS	**948,589**		**858,651**	**10.5**
Non-current assets	**499,071**	**13)**	**449,071**	**11.1**
Property, plant and equipment	254,121		244,754	3.8
Investment property	110		111	-0.9
Goodwill	31,398		29,503	6.4
Other intangible assets	141,303		127,635	10.7
Investments in associates and joint ventures	12,269		16,192	-24.2
Non-current financial assets at fair value through profit or loss	10,797		5,427	98.9
Non-current financial assets at fair value through OCI	38,216		13,603	180.9
Deferred tax assets	7,139		6,988	2.2
Loans receivable	2,237		2,021	10.7
Long term receivables	1,481		2,837	-47.8
Current assets	**449,518**	**14)**	**409,580**	**9.8**
Inventories	110,059		98,995	11.2
Contract assets	3,080		3,466	-11.1
Trade receivables	152,652		154,426	-1.1
Other current assets	27,533		21,376	28.8
Current financial assets at fair value	7,142		1,545	362.3
Current tax asset	1,196		1,199	-0.3
Cash and cash equivalents	142,068		128,573	10.5
Assets classified as held for sale	5,788		-	n.a.
EQUITY AND LIABILITIES	**948,589**		**858,651**	**10.5**
Capital and reserves	**813,939**	**15)**	**724,873**	**12.3**
Share capital	18,638		18,638	0.0
Treasury shares	(3,791)		(3,870)	-2.0
Share premium	15,214		15,214	0.0
Capital reserves	3,475		3,475	0.0
Foreign currency translation reserves	21,039		22,213	-5.3
Revaluation reserves for securities at FVOCI	974		8,620	-88.7
Retained earnings	751,408		653,691	14.9
Non-controlling interest	6,982		6,892	1.3
Non-current liabilities	**26,712**		**24,216**	**10.3**
Deferred tax liability	1,753		1,925	-8.9
Other non-current liabilities and accruals	18,306		18,004	1.7
Provisions	6,653		4,287	55.2
Current liabilities	**107,938**	**16)**	**109,562**	**-1.5**
Trade payables	65,838		61,770	6.6
Contract liabilities	772		745	3.6
Current tax liabilities	1,993		382	421.7
Other payables and accruals	32,734		42,721	-23.4
Provisions	4,866		3,944	23.4
Liabilities directly associated with assets classified as held for sale	1,735		-	n.a.

Consolidated Income Statement

	For the year ended 31 December			
	2020	Notes	2019	Change
	Audited		Restated*	
	HUFm		HUFm	%
Revenues	**566,776**		**507,794**	**11.6**
Cost of sales	(248,006)		(230,015)	7.8
Gross profit	**318,770**	**17)**	**277,779**	**14.8**
Sales and marketing expenses	(105,555)	18)	(116,304)	-9.2
Administration and general expenses	(28,211)	19)	(28,977)	-2.6
Research and development expenses	(53,977)	20)	(48,860)	10.5
Other income and other expenses (net)	(17,267)	21)	(44,793)	-61.5
Reversal of impairment on financial and contract assets	1,329		1,051	26.5
Profit from operations	**115,089**	**22)**	**39,896**	**188.5**
Finance income	28,780		20,500	40.4
Finance costs	(29,605)		(10,206)	190.1
Net financial (loss)/income	**(825)**	**23)**	**10,294**	**n.a.**
Share of profit of associates and joint ventures	900		658	36.8
Profit before income tax	**115,164**		**50,848**	**126.5**
Income and deferred tax	(4,487)	24)	2,275	n.a.
Local business tax and innovation contribution	(4,625)		(4,693)	-1.4
Profit for the year	**106,052**		**48,430**	**119.0**
Profit attributable to:				
Owners of the parent	**104,683**	**25)**	**47,135**	**122.1**
Non-controlling interest	1,369		1,295	5.7
Statement of comprehensive income				
Profit for the year	**106,052**		**48,430**	**119.0**
Actuarial loss on retirement defined benefit plans	(1,707)		(640)	166.7
Revaluation reserve for securities at FVOCI	(1,077)		3,810	n.a.
Items that will not be reclassified to profit or loss (net of tax)	**(2,784)**		**3,170**	**n.a.**
Exchange differences arising on translation of subsidiaries	(591)		8,460	n.a.
Exchange differences arising on translation of associates and joint ventures	(103)		(179)	-42.5
Items that may be subsequently reclassified to profit or loss (net of tax)	**(694)**		**8,281**	**n.a.**
Other comprehensive income for the year	**(3,478)**		**11,451**	**n.a.**
Total comprehensive income for the year	**102,574**		**59,881**	**71.3**
Attributable to:				
Owners of the parent	**100,725**		**58,336**	**72.7**
Non-controlling interest	1,849		1,545	19.7
Earnings per share (EPS)	**HUF**		**HUF**	**%**
Basic	563		253	122.5
Diluted	563		253	122.5

*Restated due to change in Accounting policy, see Note 17. for details.

Consolidated Income Statement

	For the year ended 31 December		
	2020 Unaudited EURm	**2019 Restated* EURm**	**Change %**
Revenues	**1,614.8**	**1,560.7**	**3.5**
Cost of sales	(706.6)	(706.9)	0.0
Gross profit	**908.2**	**853.8**	**6.4**
Sales and marketing expenses	(300.7)	(357.5)	-15.9
Administration and general expenses	(80.4)	(89.1)	-9.8
Research and development expenses	(153.8)	(150.2)	2.4
Other income and other expenses (net)	(49.2)	(137.6)	-64.2
Reversal of impairment on financial and contract assets	3.8	3.2	18.8
Profit from operations	**327.9**	**122.6**	**167.5**
Finance income	82.0	63.0	30.2
Finance costs	(84.4)	(31.3)	169.6
Net financial (loss)/income	**(2.4)**	**31.7**	**n.a.**
Share of profit of associates and joint ventures	2.6	2.0	30.0
Profit before income tax	**328.1**	**156.3**	**109.9**
Income and deferred tax	(12.8)	7.0	n.a.
Local business tax and innovation contribution	(13.1)	(14.4)	-9.0
Profit for the year	**302.2**	**148.9**	**103.0**
Profit attributable to:			
Owners of the parent	**298.3**	**144.9**	**105.9**
Non-controlling interest	3.9	4.0	-2.5
Average exchange rate (EURHUF)	350.98	325.36	7.9
Statement of comprehensive income			
Profit for the year	**302.2**	**148.9**	**103.0**
Actuarial loss on retirement defined benefit plans	(4.8)	(2.0)	140.0
Revaluation reserve for securities at FVOCI	(3.1)	11.7	n.a.
Items that will not be reclassified to profit or loss (net of tax)	**(7.9)**	**9.7**	**n.a.**
Exchange differences arising on translation of subsidiaries	(1.7)	26.0	n.a.
Exchange differences arising on translation of associates and joint ventures	(0.3)	(0.5)	-40.0
Items that may be subsequently reclassified to profit or loss (net of tax)	**(2.0)**	**25.5**	**n.a.**
Other comprehensive income for the year	**(9.9)**	**35.2**	**n.a.**
Total comprehensive income for the year	**292.3**	**184.1**	**58.8**
Attributable to:			
Owners of the parent	**287.0**	**179.3**	**60.1**
Non-controlling interest	5.3	4.7	12.8
Earnings per share (EPS)	**EUR**	**EUR**	**%**
Basic	1.60	0.78	105.1
Diluted	1.60	0.78	105.1

* Restated due to change in Accounting policy, see Note 17. for details.

Consolidated Cash Flow Statement

	For the year ended 31 December		
	2020 Audited HUFm	**Notes**	**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 Consolidated 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)	26)	(39,507)
Payments for intangible assets	(29,735)	27)	(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 receives	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**

Balance sheet data cannot be reconciled directly due to the reclassification of the assets held for sale.

k. Notes to Consolidated Financial Overview

13) Non-current assets

The level of Other intangible assets increased primarily as a result of the recent acquisition of marketing rights associated with Relugolix amounting to HUF 16,442m. In addition a milestone amounting to HUF 2,070m was paid in respect of LIDBREE™. The above increase was partly offset by certain impairment losses as described below in Note 21.

In 2020, the Group acquired government securities and corporate bonds in a significant amount that are measured at fair value through OCI and profit or loss. The increase of non-current financial assets measured at fair values through OCI was partially offset by the derecognition of Richter's investment in the Russian wholesaler and retail Group, Protek.

14) Current assets

Cash and cash equivalents increased as a result of the positive net cash flow from operating activities of the Group.

Higher Inventories were built up during 2020 in order to diminish supply related risks linked to the pandemic.

In 2020 Assets classified as held for sale reflect the impact of divesture of certain non core wholesale and retail businesses.

15) Capital and reserves

Retained earnings amounted to HUF 751,408m and increased by HUF 97,717m. The increase was due both to profits realized during the reported year and to Protek fair value credited.

Revaluation reserves for securities at FVOCI declined in respect of the above mentioned Protek fair value.

16) Current liabilities

While Current liabilities were positively impacted by higher levels of Trade payables their increase was more than offset by a decline experienced by Other payables and accruals primarily due to payment of certain claw-backs accrued during previous periods.

17) Gross profit and margin

Gross profit was positively impacted by

- a significant year-on-year increase (HUF 31,384m) in royalties receivable linked to sales of Vraylar®. As sales related milestones were received both in the base period and in the 12 months to December 2020, its positive impact on gross profit was limited to the change in the USDHUF exchange rate weakening experienced in the past 12 months;
- an overall favourable FX environment with a weakening HUF impact on gross profit by increasing HUF denominated turnover;
- an increasing turnover of certain higher margin oral contraceptives.

while it was negatively impacted by:

- a decline in sales experienced by a number of branded generics and traditional products which includes the delisting of Cavinton in China and a credit note which was issued in respect of previously shipped supplies of Cavinton;
- the suspension of Esmya® sales;
- considerably increased wages in Central and Eastern Europe complemented by price erosion experienced on some markets.

Changes in accounting policy
The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then amortization calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been usually determined to be nil. Previously, the amortisation expense of product rights, and other rights related to products are presented in two separate line items in the Income statement:
- Cost of sales
- Sales and marketing expenses.

Beginning from the preparation of the 2020 financial statements, the amortisation of all intangible assets and (other) rights related to products is presented as part of Cost of sales. This reclassification is in line with the way how management evaluates and manages the business. As a consequence, the new accounting policy provides more relevant information and thus increases the quality of the internal and external financial reporting.

The new accounting policy is applied retrospectively and thus the comparative figures are restated.

Amortisation of acquired portfolio
Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 4,313m. Corresponding figures for the base year restated in accordance with the above was HUF 4,389m.

Gross margin

56.2%	54.7%

Gross margin increased during the reported year when compared to that achieved in 2019 as a result of the previously detailed offsetting items. This was partly due to higher turnover achieved by the core Pharmaceutical segment, which exceeded the sales growth rate of the lower margin Wholesale and retail business.

18) Sales and marketing expenses

Proportion to sales:

18.6%	22.9%

The proportion of Sales and marketing expenses to sales declined significantly during the reported period partly as a result of the robust sales growth. The amount of these expenses also declined primarily because promotional activities particularly in the EU15 region and in Russia were severely limited by pandemic related measures. In addition, promotional spending and sales staff headcount were also reduced in China as a response to the adverse market environment.

Registration fee for medical representatives
The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 402m in 2020. In accordance with the regulations tax payable in 2020 on this ground can be offset by 90 percent of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field. Given the high amounts directed to this activity Richter is practically exempted from the payment of this extraordinary tax from the second quarter of each year.

19) Administrative and general expenses

These expenses remained virtually flat during 2020 as higher employee costs were offset by lower IT costs. Having been previously accounted as general expense, IT costs are now charged to the functional areas using them.

20) Research and development expenses

Proportion to sales:

9.5%	9.6%

These expenses include the ongoing clinical trials being carried out in co-operation with AbbVie/Allergan together with development programs executed in the field of biotechnology and women's healthcare. Higher R&D costs also resulted from certain CNS projects moving into clinical phase, increasing costs of such trials, increasing registration fees and with IT costs now also charged to this functional area.

21) Other income and other expenses (net)

Claw-back
During the reported year Other income and expenses include liabilities amounting to HUF 4,782m in respect of the claw-back regimes. Significantly higher claw-backs in Germany could not be offset by practically zero Esmya® sales and claw-back expenses connected thereto.

One-off items
One-off milestones accounted for as Other income in the reported year amounted to HUF 900m, primarily linked to the licensing-out of cariprazine to our South Korean partner and of tocilizumab to Mochida. The same figure in the base year amounted to HUF 5,717m. Subsequent to a review of research programs conducted and product launches executed an impairment loss of HUF 4,434m was incurred during the reported period related to certain WHC products/projects.

20% tax obligation payable
In 2020 an expense of HUF 800m was accounted for in respect of the 20 percent tax obligation payable with regard to turnover related to reimbursed sales in Hungary. In accordance with the regulations tax payable on this ground can be offset by 90 percent of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field.

22) Profit from operations and operating margin and EBITDA

Profit from operations increased significantly during 2020 when compared to 2019.

Operating margin

20.3%	7.9%

EBITDA

HUF 150,747m	HUF 75,524m

The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group applies the IFRS 16 Leases standard. As a result of the new standard certain rental expenses are capitalised and the expense is charged as depreciation and interest expense. Such depreciation related to the right-of-use assets is not added back when determining the EBITDA.

23) Consolidated net financial income

	HUFm			EURm		
	2020	2019		2020	2019	
	12 months to December		Change	12 months to December		Change
Unrealised financial items	**(2,571)**	**(740)**	**-1,831**	**(7.4)**	**(2.2)**	**-5.2**
Exchange (loss)/gain on trade receivables and trade payables	(1,238)	360	-1,598	(3.5)	1.1	-4.6
Gain on foreign currency loans receivable	699	1,166	-467	2.0	3.6	-1.6
Foreign exchange and fair valuation difference of other financial assets and liabilities	1,798	(1,582)	3,380	5.0	(4.8)	9.8
Interest expenses related to IFRS 16 standard	(609)	(594)	-15	(1.7)	(1.8)	0.1
Year-end foreign exchange difference related to IFRS 16 standard	(21)	(90)	69	(0.1)	(0.3)	0.2
Impairment loss on investments	(3,200)	-	-3,200	(9.1)	-	-9.1
Realised financial items	**1,746**	**11,034**	**-9,288**	**5.0**	**33.9**	**-28.9**
Exchange (loss)/gain realised on trade receivables and trade payables	(323)	8,971	-9,294	(0.9)	27.6	-28.5
Foreign exchange difference on conversion of cash	1,186	1,283	-97	3.4	3.9	-0.5
Dividend income	2	1	1	0.0	0.0	0.0
Interest income	915	914	1	2.6	2.8	-0.2
Interest expense	(22)	(1)	-21	(0.1)	(0.0)	-0.1
Other financial items	(12)	(134)	122	(0.0)	(0.4)	0.4
Net financial (loss)/income	**(825)**	**10,294**	**-11,119**	**(2.4)**	**31.7**	**-34.1**

24) Income and deferred tax

By virtue of Hungarian Tax Regulations, the base income of the Company, on which corporate tax is applied, may be reduced by the amount of direct costs incurred on R&D activities and 50 percent of royalties received. Other members of the Group are subject to customary tax regulations effective in their respective countries of incorporation.

In 2020 the Group reported HUF 4,487m tax expense, which resulted from a HUF 4,450m corporate tax expense, a HUF 4m extraordinary tax expense and a HUF 33m deferred tax expense.

25) Net income margin attributable to owners of the parent

18.5% 9.3%

26) and 27) Capital expenditure

Capital expenditure for the Group including payments for intangible assets (HUF 29,735m) totalled HUF 66,638m in 2020 when compared to HUF 58,085m reported for 2019.

Treasury Policy

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

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

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

As the FX composition of Group revenues and expenditures significantly differ, operating profit is exposed to numerous currency fluctuations. The management of foreign exchange risk is based on a strategy approved by the Board of Directors. The treasury function regularly evaluates the risk exposure and analyses potential hedging opportunities. The Group uses only plain vanilla derivative instruments (e.g. forward contracts) for hedging purposes. Hedging transactions are concluded exclusively by the Parent Company and are executed in cases where the risk situation and the potential benefits are considered to be reasonable. In 2020 the Group did not apply any hedge accounting rules under IFRS9 in respect of these transactions. The management of FX risk is periodically reviewed by the Board of Directors. While we used regularly derivatives to manage FX risk through the year, there were no open forward contracts by the Group as of 31 December 2020.

Investment of financial assets at Richter is coordinated and managed in accordance with policies approved by the Board of Directors. The financial assets are managed in sub portfolios by liquidity horizons, the regulations set different maturity, duration and credit risk requirements in each sub portfolio. Investment decisions are made in a regulated environment and are based on conservative investment principles, ensuring reasonably low risk instruments (e.g. investment grade bonds, deposits of investment grade rated banks and mutual funds with the same risk characteristics) are used.

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

l. Litigation Proceedings

On December 20, 2019, subsidiaries of the Company and Gedeon Richter Plc. brought an action for infringement of U.S. Patent Nos. 7,737,142 ("the '142 patent"), and 7,943,621 ("the '621 patent") in the United States District Court for the District of Delaware against Aurobindo Pharma Limited and Aurobindo Pharma USA, Inc. (collectively, "Aurobindo"), Sun Pharmaceutical Industries Limited and Sun Pharma Global FZE (collectively, “Sun”), and Zydus Pharmaceuticals (USA), Inc.and Cadila Healthcare Limited d/b/a Zydus Cadila (collectively, "Zydus") in connection with abbreviated new drug applications (ANDA), respectively filed with the FDA by Aurobindo, Sun and Zydus, seeking approval to market generic versions of Vraylar® and challenging said patents. The '142 patent expires in September 2029, and the '621 patent expires in December 2028. The trial date will be 6 September 2022.

7. Risk Management

a. Common Risks

Richter is committed to long term value creation for all its stakeholders, including its customers, investors, employees, and to society at large. In order to succeed in this endeavour Richter operates a risk management system which abides by the highest international standards and best industry practices. Richter views Risk Management as one of the tools for effective Corporate Governance. Management attempts to identify, to understand and to evaluate in due time emerging risks and to initiate such successful corporate responses that ensure both a stable and sustainable operation of the Company and the implementation of its corporate strategy.

Elements of the comprehensive risk management model at the Company are as follows:

- The Board of Directors is responsible for the supervision and management of risk management procedures;
- Directors responsible for each strategic pillar are in charge with the mitigation of strategic risks;
- Health related risks of the Company's employees as well as the mitigation of negative impacts on the business in general and on the supply chain in particular of the COVID-19 pandemic are managed by a Pandemic Response Team specifically set up for this purpose;
- Leaders of corporate functional units are responsible for the mitigation of emerging risks within their scope of activity, while Quality Management and Regulatory Affairs mitigate various cross-functional risks;
- Sales related compliance risks are mitigated through a centralised, separate functional unit;
- Financial risks are mitigated in a centralised manner by the Financial Directorate;
- The adequacy of internal risk management procedures are monitored by the Audit Department in accordance with an approved annual plan and reports on the efficiency of the internal controls in place are delivered at least once a year to the Supervisory Board and the Audit Committee.

Most important risk factors of Richter Group are shown on the next pages of the Report.

Regarding changes of risks during 2020 increasing, decreasing or unchanging risks are also displayed on the following pages.

Strategic Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes
Outstanding contribution of Cariprazine to the turnover and profits of the Company	The contribution of Cariprazine depends crucially on the turnover recorded by our USA licence partner and the long-term prevalence of the pricing environment rewarding the introduction of innovative products.	Trials aiming to broaden the indications and PASS trials co-managed with our USA based partner and geographic expansion of the coverage area by concluding new licencing out agreements with new partners.	Increasing risk level
Higher risks associated with CNS (Central nervous system) research projects advancing into later phases	A number of CNS research projects move into a clinical development phase associated with major costs and with a high failure rate.	Regular overview of the projects based on strict evaluation criteria (go/no go type of decision) and a search to partnering for development and marketing licence as soon as the proof of concept is met.	Unchanged risk level
Outstanding contribution of Cariprazine to the turnover and profits of the Company	The contribution of Cariprazine depends crucially on the turnover recorded by our USA licence partner and the long-term prevalence of the pricing environment rewarding the introduction of innovative products.	Trials aiming to broaden the indications and PASS trials co-managed with our USA based partner and geographic expansion of the coverage area by concluding new licencing out agreements with new partners.	Increasing risk level
Development and marketing of biosimilar products using own and licence partners' resources	High-tech equipment and special know-how are required for product development and special regulatory requirements are needed for marketing approval.	Establishing high-tech biotech capacities, reorganisation of medical and regulatory activities, strict monitoring of clinical studies and CROs, strengthening project management.	Unchanged risk level
Maintaining the turnover proceeding from branded generic products	Main markets of branded generic products are impacted by government interventions aiming at price reduction, increasing competition, price erosion and a short product life.	Development of well-chosen new generic products and first market introductions on our main geographies, strengthening project management	Unchanged risk level
Protection of our traditional product portfolio in a deteriorating market environment	Narrowing of indication or market ban subsequent to potential reporting of adverse events or failure to completely meet all the regulatory requirements accumulated over time.	Higher attention to PV issues, active regulatory-related dialogue with Authorities, carrying out development projects to maintain validation, Life Cycle management.	Unchanged risk level

Pharmaceutical Industry Related Price Reimbursement, Operational and Compliance Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes in 2020
Employees health risks and adverse effects of the COVID-19 pandemic on Company operations and the supply chain	Infection and illness of employees. Additional costs of security measures in manufacturing, impossibility of doctor visits, postponements in R&D processes, slowdown of official processes, supply chain disruptions.	Stockpiling, preventive and localizing security measures, establishing home offices and remote working, setting up a corporate pandemic response team in order to take comprehensive protection measures quickly.	NEW RISK!
Negative changes in pricing and reimbursement systems in the CEE region, in Russia and in China, clawback liabilities in the European countries	Price reduction and number restriction of reimbursed products in the CEE region, in Russia and in China may lead to lower margins while claw back-related liabilities impact operating profitability.	New product launches, focusing promotion on the least exposed product portfolio.	Unchanged risk level
Difficulties in accessing qualified staff in the Central and East European subsidiary companies of the Group	It became increasingly difficult to hire qualified staff for pharmaceutical manufacturing on the Hungarian, the Romanian and the Polish labour market between 2016-2019; in 2020 (also in the context of the COVID-19 crisis) labour insurance difficulties eased.	Wage increases and policies aiming at long-term commitment to company are being introduced; Exceptional wage rises were applied in the manufacturing companies, launch of in-house qualification programmes; Relocation of the manufacturing to Russia; University training cooperation.	Decreased risk level
Lower output and higher costs associated with implementation of EU serialization and the introduction of Russian serialization	Unique identification tags printed on boxes and the transfer of such tags through the IT system requires significant investment. During the preparation for serialization and introduction, this negatively impacted the output and caused market shortages; These difficulties were overcome in 2020.	Additional staff employed, introduction of weekend shifts, acquisition of additional packaging lines.	Decreased risk level
Selling practices that comply with ethical standards in the industry, high level of data protection	Employee behaviour that violates the ethical and advertising rules of drug promotion; Non-compliance with GDPR requirements due to unauthorised use of personal data or inadequate data protection.	Compliance programme approved by the Board of Directors; By-laws on GDPR and preparations to comply; IT security development.	Unchanged risk level

Drug development and manufacturing has to meet quality requirements which may be extremely high in certain cases, monitoring of potential adverse events and product liability through the entire lifespan of the product	Non-compliance with GMP, GLP, GCP (Good Clinical Practice), GDP (Good Distribution Practice), IT GXP and PV may result in the revocation of activity licences; Quality defects, delays, uncompetitive cost levels, loss of reputation due to supplier deficiencies; New side effects, contamination, manufacturing fault, intentional damage, counterfeiting; Compliance risk of authorisation / restriction introduced by EU chemical safety regulation (REACH).	GMP compliance equipment; Production based on Market Authorisation, Quality Assurance; Application of quality assurance systems, SOP controlled operation; Development of own API in the case of key products; Applying a supplier rating system seeking to register alternative suppliers; Product liability insurance, general liability insurance, compensation; Continuous monitoring of the use of chemicals restricted under REACH.	Unchanged risk level*
Ensuring high availability of pharmaceutical and supply system equipment as well as IT systems, maintaining an adequate level of IT security	API manufacturing is a dangerous operation, risk of fire and explosion; Product shortages subsequent to unexpected plant shutdown; Individual machine failure leading to lowering output, inspection risk due to obsolescence; Supply system failures; IT server failure, scarcity of data transfer capacities, unauthorised access, data theft.	Production safety measures, insurance on property and on downtime as recommended by the Risk Survey; Adequate level of capacity maintenance, maintenance and troubleshooting; Enhancing the technical quality, automated supervision and operational safety of systems; Measures to improve IT security, developments and training programmes.	Unchanged risk level*
Maintaining a high standard workplace safety and health system; Applying procedures to reduce environmental load to limit values	API exposure, workplace accidents, labour loss, compensation; Stringent environmental load limits (noise, dust, sewage) must be adhered to, expensive waste disposal must be carried out.	Application and certification of MEBIR system; Comprehensive life and accident insurance; Operating corporate environmental organisation, Environmental Management System (EMS), monitoring qualification, investments.	Unchanged risk level*

Financial Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes in 2020
Cash flows and financial instruments foreign exchange rate risk	The Group is highly exposed to RUB and USD and other currencies on the revenue side and has foreign currency financial instruments, exchange rate fluctuations may distort all income in HUF and EUR and may cause losses.	Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion; Financial hedging operation on the basis of authorization granted by the Board of Directors.	Unchanged risk level
Buyer credit risk	Certain markets in Richter Group (CIS and RoW markets) and some member firms (Romanian wholesale company) face increased buyer credit risk.	Extended MEHIB trade credit insurance for CIS markets and for the Rest of the World region of the Richter Group; Current COFACE insurance for Romanian Pharmafarm customers.	Unchanged risk level*
Risk of managing and investing in funds (liquidity-counterparty and interest rate risk)	At the parent company a secured reinvestment scheme for temporary free cash must be achieved; At subsidiaries, a secured management of occasionally significant amounts of free funds is sometimes required.	Parent company: adoption, strict adherence to, and control of financial regulations at board level; Centralized control of excess funds at subsidiaries.	Unchanged risk level*
Taxation related risks	Parent company: certification of eligibility for tax benefits on basis of R&D and royalty; Group: certification of transfer pricing between affiliated companies.	Procedure for the settlement royalty-linked tax allowances negotiated with Tax Authority, the accumulation of tax loss carrying forward (TLCF) opportunities resulting from the Parent Company's annual negative tax base; Group transfer price: Masterfile based on established rates, local transfer pricing documentation.	Unchanged risk level

Note:
* By improving our risk management we were able to offset the increase in risk exposure and risk probability.

b. Risks Related to COVID-19 Pandemic

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 these challenges and the responses given by the Company from a risk management point of view.

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.

GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Gabor Orban
Chief Executive Officer

Budapest, 10 March 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest,
Dózsa György út 84/C, Hungary
H-1438 Budapest,
P.O.Box 471, Hungary

Phone: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.hu

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Richter Gedeon Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Richter Gedeon Nyrt. and its subsidiaries (the „Group") for the year 2020 which comprise the consolidated statement of financial position as at December 31, 2020 – which shows a total assets of mHUF 948 589–, and the related consolidated statement of recognized income, consolidated statement of comprehensive income – which shows total comprehensive income for the year of mHUF 102 574 –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

We are independent of the Group in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Valuation of intangible assets	
(See note 13.2 to the consolidated financial statements for the details) As described in the consolidated notes to the consolidated financial statements, the Entity reported intangible assets in the amount of mHUF 95 438 as at 31 December 2020. As required by the applicable accounting standards, Management conducts regular impairment test to assess whether there is a need to record impairment with respect to the intangible assets based on the existing indicators. The identification of the triggering events and impairment tests are considered a key audit matter, as it requires application of professional judgement and use of subjective assumptions by management.	The relevant audit procedures performed by us included the following: - evaluating design and implementation of key controls related to identification of triggering events and impairment testing -benchmarking the key market related assumptions in the models against external sources and budgets approved by the Management, - involving our valuation experts where it was considered necessary to assist us in re-performing the calculation of the impairment test and independently assessing the appropriateness of the assumptions used, the methodologies and policies applied, - assessing the comparison of the carrying amount to the recoverable and impairment accounted for, - assessing the adequacy of the disclosures in the financial statements.

Other Matters

The financial statements of Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2020.

Other Information

Other information comprises the information included in the "Management report" and the consolidated business report of the Group for 2020, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the consolidated financial statements provided in the section of our independent auditor's report entitled *"Opinion"* does not apply to the other information.

Our responsibility in connection with our audit of the consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the

requirements of Section 95/B (2) e) and f) of the Accounting Act, and to express an opinion on the above and on whether the consolidated business report is consistent with the consolidated financial statements. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of the Group for 2020 corresponds to the consolidated financial statements of the Group for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement
We were appointed as the auditors of the Richter Gedeon Nyrt. by the General Meeting of Shareholders on April 28, 2020 and our uninterrupted engagement has lasted since our appointment.

Consistence with the Additional Report to the Audit Committee
We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Richter Gedeon Nyrt., which we issued on March 9, 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Richter Gedeon Nyrt. and its controlled undertakings and which have not been disclosed in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, March 10, 2021

Horváth Tamás
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

Registration number of statutory registered auditor: 003449

Consolidated Income Statement

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm Restated*
Revenues	**5**	**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)	5	(17,267)	(44,793)
Reversal of impairment on financial and contract assets		1,329	1,051
Profit from operations	**5**	**115,089**	**39,896**
Finance income	7	28,780	20,500
Finance costs	7	(29,605)	(10,206)
Net financial (loss)/income	**7**	**(825)**	**10,294**
Share of profit of associates and joint ventures	15	900	658
Profit before income tax		**115,164**	**50,848**
Income tax	8	(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
Earnings per share (HUF)	9		
Basic and diluted		563	253

* Restated due to change in Accounting Policy, see Note 40 for details.

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2020	2019
		HUFm	HUFm
Profit for the year		**106,052**	**48,430**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial loss on retirement defined benefit plans	29	(1,707)	(640)
Changes in the fair value of equity instruments at fair value through other comprehensive income	25	(1,077)	3,810
		(2,784)	**3,170**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Exchange differences arising on translation of subsidiaries		(591)	8,460
Exchange differences arising on translation of associates and joint ventures	15	(103)	(179)
		(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

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Balance Sheet

	Notes	31 December 2020 HUFm	31 December 2019 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	13	254,121	244,754
Investment property		110	111
Goodwill	19	31,398	29,503
Other intangible assets	13	141,303	127,635
Investments in associates and joint ventures	15	12,269	16,192
Non-current financial assets at fair value through profit or loss	16	10,797	5,427
Non-current financial assets at fair value through OCI	16	38,216	13,603
Deferred tax assets	17	7,139	6,988
Loans receivable	18	2,237	2,021
Long-term receivables	16	1,481	2,837
		499,071	**449,071**
Current assets			
Inventories	20	110,059	98,995
Trade receivables	21	152,652	154,426
Contract assets	22	3,080	3,466
Other current assets	22	27,533	21,376
Current financial assets at fair value	23	7,142	1,545
Current tax asset	17	1,196	1,199
Cash and cash equivalents	24	142,068	128,573
Assets classified as held for sale	39	5,788	-
		449,518	**409,580**
Total assets		**948,589**	**858,651**

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Balance Sheet

	Notes	31 December 2020 HUFm	31 December 2019 HUFm
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the parent			
Share capital	25	18,638	18,638
Treasury shares	26	(3,791)	(3,870)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	25	21,039	22,213
Revaluation reserves for securities at FVOCI	25	974	8,620
Retained earnings		751,408	653,691
		806,957	**717,981**
Non-controlling interest	14	6,982	6,892
		813,939	**724,873**
Non-current liabilities			
Deferred tax liability	17	1,753	1,925
Other non-current liabilities and accruals	31	18,306	18,004
Provisions	29	6,653	4,287
		26,712	**24,216**
Current liabilities			
Trade payables	27	65,838	61,770
Contract liabilities	28	772	745
Current tax liabilities	17	1,993	382
Other payables and accruals	28	32,734	42,721
Provisions	29	4,866	3,944
Liabilities directly associated with assets classified as held for sale	39	1,735	-
		107,938	**109,562**
Total equity and liabilities		**948,589**	**858,651**

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

10 March 2021

Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Notes	Share capital HUFm	Share premium HUFm	Capital reserves HUFm	Treasury shares HUFm	Revaluation reserve for securities at FVOCI HUFm	Foreign currency translation reserves HUFm	Retained earnings HUFm	Equity attributable to owners of the parent HUFm	Non-controlling interest HUFm	Total HUFm
Balance at 31 December 2018		**18,638**	**15,214**	**3,475**	**(2,186)**	**4,810**	**14,182**	**626,052**	**680,185**	**5,560**	**685,745**
Profit for the year		-	-	-	-	-	-	47,135	47,135	1,295	48,430
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	8,210	-	8,210	250	8,460
Exchange differences arising on translation of associates and joint ventures	15	-	-	-	-	-	(179)	-	(179)	-	(179)
Actuarial loss on retirement defined benefit plans	29	-	-	-	-	-	-	(640)	(640)	-	(640)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	3,810	-	-	3,810	-	3,810
Comprehensive income for year ended 31 December 2019		**-**	**-**	**-**	**-**	**3,810**	**8,031**	**46,495**	**58,336**	**1,545**	**59,881**
Purchase of treasury shares	26	-	-	-	(3,539)	-	-	-	(3,539)	-	(3,539)
Transfer of treasury shares	26	-	-	-	1,855	-	-	(1,855)	-	-	-
Recognition of share-based payments	25	-	-	-	-	-	-	1,636	1,636	-	1,636
Ordinary share dividend for 2018	32	-	-	-	-	-	-	(18,637)	(18,637)	-	(18,637)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(213)	(213)
Transactions with owners in their capacity as owners for year ended 31 December 2019		**-**	**-**	**-**	**(1,684)**	**-**	**-**	**(18,856)**	**(20,540)**	**(213)**	**(20,753)**
Balance at 31 December 2019		**18,638**	**15,214**	**3,475**	**(3,870)**	**8,620**	**22,213**	**653,691**	**717,981**	**6,892**	**724,873**

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for securities at FVOCI	Foreign currency translation reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 31 December 2019		**18,638**	**15,214**	**3,475**	**(3,870)**	**8,620**	**22,213**	**653,691**	**717,981**	**6,892**	**724,873**
Profit for the year		-	-	-	-	-	-	104,683	104,683	1,369	106,052
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	(1,071)	-	(1,071)	480	(591)
Exchange differences arising on translation of associates and joint ventures	15	-	-	-	-	-	(103)	-	(103)	-	(103)
Actuarial (loss) on retirement defined benefit plans	29	-	-	-	-	-	-	(1,707)	(1,707)	-	(1,707)
Revaluation reserve for securities at FVOCI	25	-	-	-	-	(1,077)	-	-	(1,077)	-	(1,077)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	(6,569)	-	6,569	-	-	-
Comprehensive income for year ended 31 December 2020		-	-	-	-	**(7,646)**	**(1,174)**	**109,545**	**100,725**	**1,849**	**102,574**
Purchase of treasury shares	26	-	-	-	(1,650)	-	-	-	(1,650)	-	(1,650)
Transfer of treasury shares	26	-	-	-	1,729	-	-	(1,729)	-	-	-
Recognition of share-based payments	25	-	-	-	-	-	-	1,642	1,642	-	1,642
Ordinary share dividend for 2019	32	-	-	-	-	-	-	(11,741)	(11,741)	-	(11,741)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(1,759)	(1,759)
Transactions with owners in their capacity as owners for year ended 31 December 2020		-	-	-	**79**	**-**	-	**(11,828)**	**(11,749)**	**(1,759)**	**(13,508)**
Balance at 31 December 2020		**18,638**	**15,214**	**3,475**	**(3,791)**	**974**	**21,039**	**751,408**	**806,957**	**6,982**	**813,939**

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 December

	Notes	2020 HUFm	2019 HUFm
Operating activities			
Profit before income tax		115,164	50,848
Depreciation and amortisation	5	39,846	39,320
Non-cash items accounted through Income Statement	15	(2,031)	(503)
Net interest and dividend income	7	(1,504)	(320)
Changes in provision for defined benefit plans	29	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	13,19	8,256	38,055
Expense recognised in respect of equity-settled share based payments	25	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	17	(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	7	915	914
Dividend received	7	2	1
Net cash flow to investing activities		**(98,891)**	**(59,703)**
Cash flow from financing activities			
Purchase of treasury shares	26	(1,650)	(3,539)
Dividend paid	32	(13,500)	(18,850)
Principal elements of lease payments	13	(3,143)	(3,791)
Repayment of borrowings	30	-	(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	**24**	**142,262**	**128,573**

* The Payments for property plant and equipment and the Payments for intangible assets cannot be directly reconciled to the Note 13 Transfers and capital expenditure row, because the latter one contains non-material, non-cash addition of the assets, including transfers.

The notes on pages 59-137 form an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. General background

I) Legal status and nature of operations

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

II) Basis of preparation

The Consolidated Financial Statements of Richter Group have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU) (hereinafter "IFRS"). The Consolidated Financial Statements comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as endorsed by the EU.

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Please see details of the application of the new accounting policies in Note 40.

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

III) COVID-19 pandemic – crisis management

A vertically integrated business model coupled with a corporate culture based on trust and cooperation enabled the Group to continue its business undisturbed despite the extraordinary situation.

The Group continues to be well capitalised with a positive cash flow, and its stringent customer credit policy continues to contribute to maintaining its resilience to stress in periods of global economic challenge. There has been no deterioration whatsoever in solvency or willingness to pay in the period of reporting or in the period that has elapsed since the drafting of the report. Receivables from customers and allowances for such receivables are presented in Note 21 to the Financial Statements.

Amidst the uncertainty brought by the pandemic, regulatory authorities put greater emphasis on expectations regarding corporate liquidity and liquidity risk management. Disclosures on the Group's liquidity are reported in Point IV) of Note 10.

The COVID-19 pandemic caused significant changes and volatility to exchange rates in the course of 2020. Obviously, the Group strives to ease exchange rate risks by natural hedging. Many of the currencies important for the Group saw exchange rates change significantly, by over 10% (EUR and CHF strengthened, and RUB weakened) compared to the forint. Disclosures regarding HUF-related exchange rate risks are reported in Point II) of Note 10.

The Group did not make use of the single lessee accounting model introduced by the new IFRS 16 lease accounting standard. Disclosures in respect of right-of-use assets are reported in Note 13, and lease liabilities are disclosed in Notes 28 and 31.
In sales, demand dropped as a result of limitations in physical doctor-patient contacts, and supply dropped because of more stringent regulations imposed on promotion involving personal visits. Notwithstanding the above restrictions related to the COVID-19 pandemic, the Group's business was balanced throughout the year, and customers' needs were satisfied fully and in a timely fashion. The rising trend of revenues has been unbroken, and record profit was ensured by steadily rising income from Vraylar® sales in the USA. Detailed information on revenue by segments is reported in Note 4.

The Group successfully managed disruptions in the supply chain; however, inventories are kept at higher levels in preparation for possible future difficulties. Inventories are reported in detail in Note 20.

The Company introduced additional protective measures in harmony with the nationwide extraordinary restrictions imposed by the Hungarian government.
Preserving the health of staff continues to be the Company's top priority goal. Measures have been introduced regarding social distancing in common areas. The Company supported home office for employees who are able to meet their job-related duties by remote work. Face masks were provided for staff members who have to come to work, and the Company installed sanitizing equipment in all common areas. In an effort to help commuting staff avoid the use of public transport Richter supported the use of own vehicles by paying a contribution based on daily accounting. The above measures generated unforeseen expenditure amounting to HUF 355 million in 2020, and an additional HUF 486 million were paid in extraordinary wage bonus to employees working in hazardous jobs.
The arising additional expenditure was partially offset by the state support from European Union resources (HUF 461 million) the Company received as wage subsidy to highly qualified research, development and innovation staff pursuant to Government Decree 103 of 2020 (10 April) on the Economy Protection Action Plan supporting employment in the RD&I sector during the state of danger.
In consideration of the extraordinary situation caused by the COVID-19 pandemic and specifically of the challenges facing health care institutions Gedeon Richter Plc. paid HUF 2 million in support of each hospital and health care clinic Richter has cooperated with over the past 10 years in the context of the Heath City Programme. The total of HUF 140 million was made available to the 70 recipient Hungarian health care institutions in the form of free immediate support.

Some countries in which the Group operates, have imposed severe restrictions on the mobility of their populations, which have had a significant impact on economic activity of these countries. These restrictions were determined by the local governments and, accordingly, the effects of the restrictions, including the timing / lifting of the restrictions, the grants and compensations provided by the local governments may vary country by country. Beside the restrictions, various health protecting measures have been introduced in many countries.

IV) Adoption of new and revised Standards

A) The following standards and amended standards became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018, adopted by EU on 29 November 2019, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material (issued on 31 October 2018, adopted by EU on 29 November 2019, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" – Interest rate Benchmark Reform (issued on 26 September 2019, adopted by EU on 15 January 2020, effective for annual periods beginning on or after 1 January 2020),

- Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions (issued on 28 May 2020, adopted by EU on 9 October 2020, effective for annual periods beginning on or after 1 June 2020),

- Amendments to IFRS 3 "Business Combinations" (issued on 22 October 2018, adopted by EU on 21 April 2020, effective for annual periods beginning on or after 1 January 2020).

B) New and revised standards issued by IASB and adopted by the EU but not yet effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020, adopted by EU on 13 January 2021, effective for annual periods beginning on or after 1 January 2021)

- Amendments to IFRS 4 "Insurance Contracts" deferral of IFRS 9 (issued on 25 June 2020, adopted by EU on 15 December 2020, effective for annual periods beginning on or after 1 January 2021)

C) The following other new pronouncements are not expected to have any material impact on the Group when adopted:

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (issued on 18 May 2017; and 25 June 2020, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Annual Improvements (All issued 14 May 2020, effective for annual periods beginning on or after 1 January 2022),

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 and 15 July 2020 respectively, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting policies (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023),

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- Proposed amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (issued on 17 February 2021, expected effective date 1 April 2021).

Any other new/modified standards or interpretations are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

2. Summary of significant accounting policies

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

I) Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Parent Company and entities directly or indirectly controlled by the Parent Company (its subsidiaries), the joint arrangements (joint ventures) and those companies where the Parent Company has significant influence (associated companies). The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between (1) the amount by which the non-controlling interests are adjusted, and (2) the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

II) Investments in joint ventures and associated companies

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

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses.
Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assesses whether the contractual arrangement gives all the parties control of the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the activities that significantly affect the returns of the arrangement.

Since all of the joint arrangements are structured through separate vehicle and neither the legal form nor the terms of the arrangement or other facts and circumstances provides rights to the assets and obligations of the company (but to the net assets), therefore the companies are classified as joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

Dividends received from associates or joint ventures reduce the carrying value of the investment in the associates and joint ventures.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains and losses arising on sale or partial sale of investments in associates and joint ventures are recognised in the Consolidated Income Statement.

III) Transactions and balances in foreign currencies

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

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

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

Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation. Conversion into Hungarian Forints of Group's foreign operations that have a functional currency not listed by the National Bank of Hungary is made at the cross rate calculated from Bloomberg's published rate of the given currency to the USD and NBH's rate of the HUF to the USD. The method of translation is the same as mentioned above.

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

IV) Revenue recognition and interest and dividend income

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts as well as considering the estimated discounts to be provided after the sales already performed and after eliminating sales within the Group. Revenue on sales transactions is recognised upon fulfilment the terms of sales contracts.

A) Sales revenue

Revenue is defined as income arising in the course of an entity's ordinary activities. The Group's revenue primarily comes from:

- sale of pharmaceutical products produced by the Group
- wholesale and retail activity within the pharmaceutical industry
- royalty and license income from products already on the market
- performance-related milestone received for products with marketing authorisation (e.g. cumulative sales related milestone),
- contract manufacturing service
- other services including provision of marketing service, performing transportation activity etc.

B) Sale of pharmaceutical products (including wholesale and retail activity)

The Group manufactures and sells a range of pharmaceutical products. Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods or services transferred. The Group includes in the transaction price some or all of an amount of variable consideration estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. Sales are recognised when control of the products has transferred, generally being when the products are delivered to the wholesaler or other third party customer. Generally sale of pharmaceutical products are satisfied at point in time. To determine the point in time at which a customer obtains control the Group consider indicators that include, but are not limited, to the following:

- the Group has a present right to the payment for the good.
- the customer has legal title to the good.
- the Group has transferred physical possession of the good to the customer.
- the customer has the significant risks and rewards of ownership of the good.
- the customer has accepted the good.

In case the Group produces customer specific products, which does not create a good/service with an alternative use to the Group and the Group has an enforceable right to the payment for performance completed to date, the Group accounts for the revenue over time (similarly to contract manufacturing services).

C) Licenses and royalties
A license arrangement establishes a customer's rights related to a Group's intellectual property and the obligations of the Group to provide those rights. The Group assesses each arrangement where licenses are sold with other goods or services to conclude whether the license is distinct and therefore a separate performance obligation. For licenses that are not distinct, the Group combines the license with other goods and services in the contract and recognize revenue when (or as) it satisfies the combined, single performance obligation. Licenses that provide access to a Group's IP are performance obligations satisfied over time, and therefore revenue is recognized over time once the license period begins, as the customer is simultaneously receiving and consuming the benefit over the period it has access to the IP.

Licenses that provide a right to use a Group's IP are performance obligations satisfied at the point in time when the customer can first use the IP, because the customer is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.
The revenue standard includes an exception for the recognition of revenue relating to licenses of IP with sales- or usage-based royalties. Consideration from a license of IP that is based on future sales or usages by the customer is included in the transaction price when the subsequent sales or usages occur.
Income arising from the sale/transfer or partial sale of intangible assets - capitalized or not - not directly attributable to current R&D expenses, is recognized as Other income and other expenses (net). Additionally, Other income and expenses (net) include milestone and down-payments realised on the sale/transfer of non-capitalized intangible assets.

D) Interest income
Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets, presented as Finance income or Finance expense. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of Finance income.

E) Dividend income
Dividends are received from financial assets measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI). Dividends from these financial assets are recognised as Finance income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

F) Contract manufacturing and other services
Rendering services, such contract manufacturing, marketing services and transportation are performance obligations, which are satisfied over time. At the end of each reporting period, the Group remeasures the progress towards complete satisfaction of such services and recognizes revenue accordingly.

V) Property, plant and equipment, Investment property and Right-of-use assets

A) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

B) Investment property

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

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

C) Right-of-use assets

The Group as a lessee applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements as follows:
If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

VI) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of consideration transferred over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.
On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This latter method was applied for all of the acquisitions of the Group so far.
Goodwill is recognised separately in the Consolidated Balance Sheet and is not amortised but is reviewed for impairment annually in line with IAS 36. In each reporting period the Group reviews its goodwill for possible impairment. For impairment testing goodwill is allocated to the Group's individual or group of cash generating units (CGU). The recoverable amount of the cash generating unit is the higher of fair value less cost of disposal or its value in use, which is determined by Discounted Cash Flow method.

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

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

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

VII) Intangible assets

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

Name	Amortization
Rights	
Property rights (connected with properties)	*5%*
Other rights (licenses)	*5-50%*
Intellectual property	4-50%
Research and development	5-50%
ESMYA, BEMFOLA	4%

Individually significant intangible assets are presented in Note 13. The purchased licenses are amortized based on the contractual period, resulting in amortization rates within the range presented in the table above.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Consolidated Income Statement depending on the function of the intangible assets. The Group changed its accounting policy with respect of classification of amortization of certain types of intangible assets. Please see further details in Note 40.

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

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

In the Annual Report the term of ESMYA® is used for indication of the brand name of the product containing ulipristal acetate on Gynaecology therapeutic area in uterine myoma indication, while the terminology of ESMYA refers to the intangible asset recognized by Richter (relating to the EU/North America region as described in Note 13) at the acquisition of PregLem and presented in the Consolidated Balance Sheet.

VIII) Impairment of tangible and intangible assets excluding goodwill

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

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

IX) Research and development

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The Group's intention to complete the intangible asset and use or sell it
- The Group's ability to use or sell the intangible asset
- To prove that the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate:
  - the existence of a market for the output of the intangible asset or for the intangible asset itself or,
  - if it is to be used internally, the usefulness of the intangible asset
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. The way and timing of the use of such resources can be presented.
- The development costs of the intangible asset can be reliably measured.

Amortization shall begin when the asset is available for use. The useful life of these assets is assessed individually and amortized based on facts and circumstances. The Group is using the straight line method to amortize R&D over the estimated useful life.

R&D costs that do not meet these recognition criteria are expensed when incurred.

X) Financial assets

Financial instruments are all contracts which mean a financial asset at an entity and financial liability or equity instrument at another entity at the same time.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at fair value through other comprehensive income' (FVOCI), 'at amortised cost'.
Classification of financial assets depends on:

- whether the asset is an equity instrument or a debt instrument
- if the financial asset is a debt instrument the followings should take into consideration to assess:
  - the business model for managing the financial asset
  - contractual cash flow characteristics of the financial asset

A) Debt instruments measured at amortised cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

B) Debt instruments measured at fair value through OCI

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met cumulatively:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold & sell" business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C) Debt instruments measured at fair value through profit or loss

FVTPL is the residual category: a financial asset that is not measured at amortized cost or at fair value in other comprehensive income is measured at fair value through profit or loss.

D) Debt instruments designated at fair value through profit or loss using fair value option

The Group has chosen the fair value option for certain financial instruments, i.e. it recognizes the financial asset or financial liability at fair value through profit or loss if it eliminates or materially reduces recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The use of the fair value option also provides more relevant information about financial instruments in the financial statements. The fair value option is not applied to all financial assets or liabilities, but only to certain financial instruments designated by the Group at initial recognition. The Group irrevocably decides to exercise the fair value option at initial measurement to these designated items.

E) Equity instruments measured at fair value through OCI

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are classified at FVTPL. For all other equity instrument, the Group has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. The Group has elected to measure all of its equity instrument in the scope of IFRS 9 at fair value through OCI.

F) Equity instruments measured at fair value through profit or loss

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified to FVTPL.

Impairment

Credit loss allowance for Expected Credit Loss (ECL): The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For debt instruments at FVOCI, changes in amortised cost (net of allowance for ECL) are recognised in profit or loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Historical loss rates are determined by the Group based on the payment experience of the previous 3 years. Defining forward-looking information, the Group takes into account the change in the Probability of Default (PD) of the receivables with the largest receivable amount (based on market information) and thus corrects historical loss rates. The impact of forward-looking information on impairment is not significant.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL allowance is measured based on Lifetime ECL. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL allowance is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

XI) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.
Financial liabilities are classified as FVTPL where the financial liability is either held for trading or it is designated at FVTPL or derivatives (expected or a derivative that is a financial guarantee contract). Financial liabilities at FVTPL are stated at fair value, with any gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

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

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

XII) Contingent-deferred purchase price

The contingent-deferred purchase price obligation of the Group as a result of an acquisition is measured initially and subsequently at fair value. The change in the fair value is analysed to different components and charged to the Consolidated Income Statement accordingly. The effect of the foreign exchange difference and the unwinding of interest is recognized in Finance costs (or Finance Income), while the change in the probability and the change in the estimated cash-flow to be paid is recognized in Other income and other expenses (net).

XIII) Non-current financial assets at fair value

Non-current financial assets measured at fair value through profit or loss comprise long-term corporate bonds and other financial instrument. Non-current financial assets measured at fair value through OCI comprise long-term government securities and unconsolidated investments in other companies. These financial assets are described in Note 16.

XIV) Loans receivable

Loans receivables include given loans measured at amortised cost. It also contains interest free loans given to employees with maximum of 8 years maturity. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. If the loan is off-market conditions (for example: interest free loan to employees, interest free capital contribution, supplementary payment), then the difference between the fair value and the transaction value should be recognized in profit or loss or as a capital increase in the investment depending on the economic substance of the transaction.

XV) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances as described in accounting policy section X) above. Realized exchange gains or losses arising on the settlement of foreign currency receivables are recognized directly in the net financial income/(loss) using the exchange rate applicable on the date of the financial settlement. At the end of the period, outstanding amounts of receivables are revalued at the foreign exchange rate, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is the transaction value according to the related invoice less the value of the expected discounts and adjusted by discounting in the case of outstanding long-term receivables. Receivables adjusted with estimated discounts should be classified in accordance with its substance, therefore in case of credit balance it is presented as liability in the Consolidated Balance Sheet.

XVI.) Contract asset

The Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance), less allowances as described in accounting policy section X) above.

XVII) Trade payables

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

XVIII) Contract liabilities

If a customer pays consideration or an entity has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due. A contract liability is an obligation of the Group to transfer goods and services to a customer for which the entity has received consideration from the customer.

XIX) Derivative financial instruments

Derivatives are initially recognised at fair value and are subsequently re-measured at the end of each reporting period at fair value. In 2020 the fair valuation gain or loss was immediately recognized in the Consolidated Income Statement, since the Group did not apply hedge accounting. Derivative financial instruments are classified under " Non-current financial assets at fair value through profit or loss " and "Non-current liabilities", depending on whether the instruments have a positive or negative year-end fair value, if the instrument has a residual maturity of more than 12 months and is not expected to be realized within 12 months. Other derivative contracts are presented under " Current financial assets at fair value through profit or loss " and "Other payables and accruals".

XX) Cash and cash equivalents

In the Consolidated Cash Flow Statement Cash and cash equivalents comprise: cash in hand, bank deposits, and investments in money market instruments with a maturity date within three months accounted from the date of acquisition. In the Consolidated Balance Sheet bank overdrafts are shown within "Borrowings" in current liabilities.

XXI) Borrowings

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

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

XXII) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realizable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and the estimated cost of disposal. Goods purchased shall be measured by using the FIFO (first in first out) method. Costs of purchased inventory are determined after deducting rebates and discounts. Goods produced shall be measured at actual (post calculated) production cost. Net costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

XXIII) Provisions

Provisions are recognised when the Group has a current legal or constructive obligation arising as a result of past events, and when it is likely that an outflow of resources will be required to settle such an obligation, and if a reliable estimate for such amounts can be made. The Group measures the provisions at discounted value of the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the interest arising from the passage of time is accounted as interest expense. If it is no longer probable that economic resources will be required to fulfil the obligation, the provision should be reversed. The provision may be used only for the input for which it was originally recognized.

Provisions should be made for:

- sanctions and remediation costs related to **environmental damage**, which will lead to outflow of resources representing economic benefits regardless of the Group's future actions. The Group is exposed to environmental liabilities relating to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs. Provisions for these costs are made when the Group has constructive or legal obligation to perform these remedial works and when expenditure on such remedial work is probable and its costs can be estimated within a reasonable range. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The Group did not have legal or constructive obligation in relation to environmental expenditures as of 31 December 2020 and as of 31 December 2019.
- the expected liabilities in respect of **non-closed litigation cases**, if it is probable that the Group will have a payment obligation as a result of the decision
- as a guarantee and **guarantee commitment** if the amount of the expected payment can be estimated from previous practice
- long-term defined (retirement) **benefit plans**
- **reorganization costs** if the general conditions for provisioning are met.

The Group operates a post-employment benefit program, which is described in XXVIII) Pension program and other long-term employee benefits.

XXIV) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.
The Group considers the following taxes to qualify to be income tax under IAS 12:

- Corporate Income Tax,
- Local Business Tax,
- Innovation Contribution.

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

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

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

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

In case the Group is eligible for investment tax credit, the initial recognition exception is applied therefore no deferred tax is recognised in connection with this investment (see Note 8).

XXV) Segment information

The operating segment is a business unit that carries out business activity and for which separate financial information is available, and whose operating results are regularly reviewed by the entity's chief decision makers in order to make decisions about the resources to be allocated to the segment and to evaluate its performance (Note 4).
Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors as chief operating decision-makers. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions.

XXVI) Borrowing costs

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

XXVII) Leases

The Group has applied IFRS 16 using the modified retrospective approach from 1 January 2019.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- the Group applies comparative pricing method for calculating interest rate. The reference interest rate is determined based on public data related to the specific market taking into consideration the amount, currency, maturity date of the transaction, the borrower's business sector and the purpose of the financing.

Lease payments are allocated between cost of sales, operating expenses and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Exemptions

Contracts may contain both lease and non-lease components. The Group applies the practical expedient and does not separate non-lease components from lease components and accounts for any lease components and associated non-lease components as a single lease component.

Payments associated with short-term leases for all assets and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets (that the underlying assets, when new, are individually low value that is under HUF 1.5 million) comprise IT and office equipment.

Where the Group acts as a lessor, the lease is classified to be either finance lease (where substantially all of the risks and rewards incidental to ownership are transferred to the lessee) or operating lease. Currently the Group does not act as finance lessor.
For operating lease the Group continues to recognize the underlying asset and do not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement. The underlying asset continues to be accounted for in accordance with applicable accounting standards (e.g., IAS 16). Lessors subsequently recognize lease payments over the lease term on either a straight-line basis or another systematic and rational basis if that basis better represents the pattern in which benefit is expected to be derived from the use of the underlying asset.

XXVIII) Pension program and other long-term employee benefits

Beside the Parent Company some subsidiary pay benefits to retiring employees according to their Collective Agreements as defined benefit. As an additional benefit, these companies financially reward the employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end of the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

Defined benefit pension plan

The Group operates a post-employment defined benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19 for post-employment retirement benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method) and valued at present value by using actuarial discount rate. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged to the Retained Earnings (presented on Other Comprehensive Income as item that is not reclassified later in profit and loss).

Defined contribution plans

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

Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

XXIX) Share-based payments

Equity settled share-based payments

The Group is granting treasury shares to certain employees in its employee share bonus programs. Details of these bonus programs are set out in Note 26. These bonus programs are accounted for as equity-settled share-based payments and from year 2018 cash-settled share-based payments.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis (adjusted with the change in estimate) over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions.

Cash-settled share-based payments

The Group operates an Employee's Share Ownership Programme (ESOP) that qualifies to be a cash-settled share based payment. The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognised in the Consolidated Income Statement for the period.

XXX) Government grants

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

XXXI) Share Capital

Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

XXXII) Earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

XXXIV) Assets classified as held for sale and liabilities directly associated with assets classified as held for sale
Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.
An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.
Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.
Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Consolidated Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Balance Sheet.

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

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

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

3.1 Key sources of estimation uncertainty

The effects of the European Commission decision on 11 January 2021 to ESMYA® sales
In December 2017, the European Medicines Agency (EMA) Pharmacovigilance Risk Assessment Committee (PRAC) started a review of drug induced liver injury potentially related to ESMYA® (ulipristal-acetate) that applies to all EU Member States. On 9 February 2018, the EMA initiated the implementation of temporary measures as part of the review process.

The PRAC's final recommendations were published on 18 May 2018 which were adopted by Committee for Medicinal Products for Human Use (CHMP) (01 June 2018) and based on CHMP's opinion the European Commission decided to implement them on 26 July 2018.
Richter takes the safety of patients seriously. Based on the data collected during clinical trials, the Management believes that ESMYA® is a safe medicinal product, and Richter is committed to provide this unique treatment option to women suffering myoma tumor.

In August 2018, Richter's license partner for North-America ESMYA® sales, Allergan received a Complete Response Letter (CRL) from the U.S. Food and Drug Administration (FDA) in response to the New Drug Application (NDA) for ulipristal acetate (UPA) for the treatment of abnormal uterine bleeding in women with uterine fibroids.

The letter from the FDA indicates it is not able to approve the ulipristal acetate NDA in its current form and is requesting additional information. The agency cited safety concerns regarding ESMYA® post-marketing reports outside the United States and Canada.

In January 2019 the Canadian regulatory authority imposed restrictions on Fibristal (ulipristal acetate) commercialised by Allergan Plc in Canada due to a potentially increased risk of liver damage. Management has incorporated the effects of the restrictions on the expected future cash flows.

In August 2019 the deadline to take further response and actions regarding the CRL expired and no further actions were taken, therefore the FDA withdrew the request for drug application. Neither the Group nor the licensing partner Allergan intend to submit a new application.

On 13 March 2020 the Group announced, subsequent to its meeting held on 09-12 March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking ESMYA®. PRAC recommends suspension of ulipristal acetate for uterine fibroids during ongoing review of liver injury risk. The PRAC has recommended, as a precautionary measure, that women should stop taking 5-mg ulipristal acetate (ESMYA® and generic medicines) for uterine fibroids while a safety review started this month is ongoing. No new patients should start treatment with these medicines.

The Group prepared its Consolidated Financial Statements for 2019, considering the negative effects of European Commission's decision on ESMYA®, the PRAC recommendation issued in 2020 and the withdrawn application by FDA. Based on that, Management has reduced its long-term sale forecasts for ESMYA® in markets in EU and North America. In addition to the revised forecasts, the Group has accounted for impairment on PregLem goodwill and on intangible assets. The overall value is totalled to HUF 31,222 million.

On 15.01.2021 the Group announced that the European Commission (EC) implemented a decision concerning the marketing authorisations of ulipristal acetate 5 mg (ESMYA®) as a result of cases of serious liver injury. This decision follows the opinion from the CHMP on 13 November 2020 and is applicable for all Member States in the European Economic Area.

ESMYA® can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have not worked. ESMYA® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment.

Information on the risk of liver failure (requiring liver transplantation in some cases) will be added to the summary of product characteristics and the package leaflets for ulipristal acetate 5 mg medicines as well as in educational material for doctors and cards for patients.

Based on Group's estimation, taking into account the currently available market and other information, the effect of the aforementioned EC resolution to the future sales of ESMYA® does not give rise to reversal of impairments previously accounted for assets related to ESMYA®.

The Group has an exposure on the following items in the balance sheet:

Factors of the net exposure	**31 December 2020 HUFm**	**31 December 2019 HUFm**
Goodwill	0	0
ESMYA EU, NA and other ESMYA intangible assets	0	759
Total net exposure	**0**	**759**

Taken into account the EC's resolution issued in 2021, the Group discloses the ESMYA® related inventory on 31 December 2020 as a further exposure, these stocks are wholly in the books of the Parent Company; subsidiaries no longer have ESMYA® inventory as of 31 December 2020:

ESMYA® related inventory	**31 December 2020 HUFm**	**31 December 2019 HUFm**
EU	109	163
Other countries	51	230
Total exposure	**160**	**393**

The recoverability of these inventories may be partly affected by the PRAC's recommendation issued in 2020 and EC's resolution issued in January 2021. The Group does not expect the effect of potential returns to be material, therefore did not take into account during the preparation of the Consolidated Financial Statements.

Impairment testing of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in point VI). The impairment assessment performed by the Group contains significant estimates that depend on future events. The assumptions used and the sensitivity of the estimation is presented in details in Note 19.

Depreciation and amortization
Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The estimation of the useful lives of assets is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use.
However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical, market and legal conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

The appropriateness of the estimated useful lives is reviewed annually. If the estimated useful lives were lower by 10% in comparison to management's estimates, depreciation for the year ended 31 December 2020 would be greater by HUF 3,961 million. This change would have been HUF 3,958 million in 2019.

The Group recorded depreciation and amortisation expense in the amount of HUF 35,658 million and HUF 35,628 million for the years ended 31 December 2020 and 2019, respectively.

Unlike property, plant and equipment and intangible assets, there is another type of decision uncertainty when reviewing the depreciation of the right-of-use assets, whereas the estimated useful lives of these assets are essentially determined by the duration of the lease and not by the useful life of the asset. The depreciation of the right-of-use assets during the current year was not significant (HUF 4,188 million) comparing to the depreciation of the fixed assets (HUF 35,658 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use asset is not quantified.

Uncertain tax position in Romania
From 1 October 2009 the Government approved a debated claw-back regime (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS (Casa Nationala de Asigurari Sanatate) by the domestic manufacturers and wholesalers in the range of 5-12 % from sales of reimbursed drugs. The related uncertain tax position is disclosed in more details in Note 37.

From 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers, which does not constitute to be an uncertain tax position; the related expenses have been disclosed in Note 5.

In September 2017, the National Authority of Fiscal Administration („RTA") imposed RON 9.09 million as claw-back contribution for the period Q1-Q3 2011 and RON 10.4 million as interest and penalties to the Romanian wholesale company. The company submitted a Tax challenge with RTA and sent a suspension claim to the court immediately. In December 2017 the special court in

Bucharest (Romania) has approved the claim of Pharmafarm S.A. for suspension of payment for the claw-back. At the end of 2018 the first instance court has decide in favour Pharmafarm S.A., annulling the claw-back decision of RTA, but as part of the verdict, the court ordered the re-execution of the tax audit. As a result of the second investigation, RTA imposed again the RON 9.09 million claw-back tax payment obligation, which Pharmafarm S.A. did not accept and filed a lawsuit. The Bucharest Special Court approved again Pharmafarm S.A.'s application for suspension of claw-back payment until the case was finally closed.
Taking into consideration the opinion of experts, the management of the Parent Company estimates more likely than not that the imposed tax obligation will not have to be paid on the basis of a subsequent final court decision, therefore no provision has been made.

In May 2018, a comprehensive tax audit covering the period from 01.01.2011 to 31.12.2015 was also completed at Gedeon Richter Romania S.A. As a result of the investigation, a tax deficit has been established for a claw-back tax, corporate income tax and VAT. The total value of the established tax shortfall and related interest and fines amount to RON 13.2 million. Although the Company will challenge the decision of the tax authority in court, taking into account the opinions of experts, the management of the Company sees a more than 50% chance that the findings will have to be paid by Gedeon Richter Romania in the future, therefore a provision of RON 13.2 million had been recognised in 2018.
Due to the remaining uncertainty in the tax litigation and publication of tax amnesty procedure in Romania with the possibility of cancelation of all interest and penalty fines, the company will pay all its principal debts resulting from the 2018 tax inspections and subsequent measures, in order to mitigate the future risks. Therefore, supplementary tax provision of 4.1 million RON is built up in 2020. From a pure legal perspective, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged after the payment of the principal tax obligations according to the fiscal amnesty procedure.

3.2 Critical judgements in applying entities accounting policies

Deferred tax at Parent Company
The Company has significant deductible temporary differences, part of which is related to the tax loss carried forward. Deferred tax asset should be recognized for unused tax losses to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised. Despite of the profitable operation of the Company, the tax base is expected to be negative in the next 5 years, considering the tax base adjusting items. On consolidated level there are further taxable temporary differences associated to the Parent Company (related to the BEMFOLA intangible asset as disclosed in Note 17) that provides partial recoverability to these deductible temporary differences in accordance with the guidance of IFRIC issued on May 2014 on “Income taxes- recognition and measurement on deferred tax assets when an entity is loss-making”.
The deferred tax expense is presented in Note 17.

4. Segment Information

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

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

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

I) Business segments

	Pharmaceuticals HUFm		Wholesale and retail HUFm		Other HUFm		Eliminations HUFm		Total HUFm	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
3rd party revenues	446,066	397,712	119,775	109,244	935	838	-	-	566,776	507,794
Inter segment revenues	11,198	9,630	4	2	5,984	5,804	(17,186)	(15,436)	-	-
Revenues	**457,264**	**407,342**	**119,779**	**109,246**	**6,919**	**6,642**	**(17,186)**	**(15,436)**	**566,776**	**507,794**
Profit from operations	114,482	38,835	975	734	238	340	(606)	(13)	115,089	39,896
Total assets	1,021,643	927,894	66,657	63,279	3,893	4,027	(143,604)	(136,549)	948,589	858,651
Current contract asset	3,080	3,466	-	-	-	-	-	-	3,080	3,466
Total liabilities	97,292	102,468	55,641	51,794	978	979	(19,261)	(21,463)	134,650	133,778
Contract liabilities	772	745	-	-	-	-	-	-	772	745
Capital expenditure**	65,733	57,350	693	537	214	198	(2)	-	66,638	58,085
Depreciation and amortization*	38,307	37,801	1,344	1,237	195	217	-	65	39,846	39,320
from this: IFRS16 related	3,457	3,145	731	547	-	-	-	-	4,188	3,692
Share of profit of associates and joint ventures	(719)	(388)	1,398	1,230	22	43	199	(227)	900	658
Investments in associates and joint ventures	2,314	6,957	8,747	8,112	1,312	1,289	(104)	(166)	12,269	16,192

* See Note 13 and in the Consolidated Cash flow Statement.
** See in the Consolidated Cash flow Statement.

II) Entity wide disclosures

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

1. Hungary
2. CIS (Commonwealth of Independent States)
3. EU, other than Hungary
4. USA
5. China
6. Latin America
7. Other countries

2020	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Timing of revenue recognition								
At a point in time	40,914	139,496	223,367	14,600	10,764	10,999	25,093	465,233
Over time	977	119	4,166	93,909	-	-	2,372	101,543
Revenues	**41,891**	**139,615**	**227,533**	**108,509**	**10,764**	**10,999**	**27,465**	**566,776**
Total assets	718,602	61,000	140,404	3,688	1,512	9,145	14,238	948,589
Capital expenditure	57,282	2,155	6,653	-	-	329	219	66,638

2019	Hungary	CIS	EU	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Timing of revenue recognition								
At a point in time	39,763	137,285	199,627	13,405	18,975	10,663	18,868	438,586
Over time	739	114	9,220	57,696	-	2	1,437	69,208
Revenues	**40,502**	**137,399**	**208,847**	**71,101**	**18,975**	**10,665**	**20,305**	**507,794**
Total assets	625,054	77,377	127,565	2,843	2,345	8,611	14,856	858,651
Capital expenditure	49,807	2,239	4,715	-	-	98	1,226	58,085

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

Analyses of revenue by category	2020	2019
	HUFm	HUFm
Sale of pharmaceutical products	465,233	438,586
Revenue from services	12,005	13,556
Royalty income	89,538	55,652
Total revenues	**566,776**	**507,794**

Revenues of approximately HUF 86,895 million (2019: HUF 54,637 million) are derived from a single external customer (Allergan) that exceeded 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar® and are attributable to the Pharmaceuticals segment and located in the USA region. There was no other customer exceeding 10% of revenues in 2020 and in 2019.

The Group has recognised the following contract assets and contract liabilities related to the contracts with customers:

	31 December 2020 HUFm	31 December 2019 HUFm
Current contract asset	**3,080**	**3,466**
Contract liabilities	**772**	**745**

5. Profit from operations – expenses by nature

	2020 HUFm	2019 HUFm
Revenues	566,776	507,794
From this: royalty and other similar income	*89,538*	*55,652*
Changes in inventories of finished goods and work in progress, cost of goods sold	(152,639)	(129,668)
Material type expenses	(105,345)	(122,768)
Personnel expenses	(137,919)	(132,400)
Depreciation and amortisation (Note 13)	(39,846)	(39,320)
from this: IFRS16 related	(4,188)	(3,692)
Other income and other expenses (net)	(17,267)	(44,793)
from this: IFRS16 related	27	22
Reversal of impairment on financial and contract assets	1,329	1,051
Profit from operations	**115,089**	**39,896**

The table below contains the detailing of fees for audit and non-audit services:

Deloitte Auditing and Consulting Ltd.

	2020 HUFm
Richter – annual audit – separate financial statement	20
Richter – annual audit – consolidated financial statement	7
Total	**27**

Deloitte Network

	2020 HUFm
Audit based on statutory provisions	81
Other services providing assurance	12
Tax consulting services	36
Other non-audit services	28
Total	**157**

The balance of impairment on financial and contract assets

The net reversal of impairment recognised on financial and contract assets in accordance with in IFRS 9 was HUF 1,329 million in 2020 and HUF 1,051 million in 2019.

Most significant items presented within Other income and other expenses (net):

The balance of other income and expense changed from HUF 44,793 million (expense) in the base period to HUF 17,267 million (expense) in 2020.

In the period of reporting the Group realised one-off milestone income of HUF 900 million mainly in conjunction with cariprazine and tocilizumab. By contrast, one-off milestone income in the reference period amounted to HUF 5,717 million in respect of the authorisation of cariprazine for a new indication and of its licensing.

In 2020 the balance of Other income and expenses was negatively affected by the impairment reported on Intangibles (HUF 5,056 million) including HUF 1,561 million related to Evestra developments, HUF 1,339 million to Bemfola's American license, HUF 672 million to the Canadian license rights of ESMYA, and HUF 812 million to the product Balanca® related to Germany.

The impairment tests of ESMYA for the 2019 financial statements had to be conducted in consideration of decisions by the regulatory authorities and market effects. As a result, the Group reported HUF 29,114 million impairment of the intangible asset ESMYA. (See details in Note 3.1). Furthermore Executive Board decided to discontinue the Trastuzumab development project resulting in HUF 2,096 million in impairment.

Claw-back expenses are partial repayments of the received Sales revenue of the reimbursed products to the State where the product was distributed (further "claw-back"). In accordance with the announced claw-back regime local authorities established the amount of extraordinary tax to be paid based on the comparison of the subsidies allocated for reimbursed drugs and manufacturers' sales thereof. Other income and expenses include expenditures in respect of the claw-back regimes effective in Romania, Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria, Austria, Poland, Latvia, Lithuania, Croatia, Slovenia, Greece, Ireland and UK amounting to HUF 4,782 million in 2020 (in 2019 HUF 3,300 million). The 20% tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 800 million in 2020 and HUF 631 million in 2019.

In 2020 an impairment loss amounting to HUF 21 million was recorded in respect of the Goodwill related to Armedica Trading Group. In 2019, HUF 7,104 million was charged in respect of PregLem S A., GR Med and GR Mexico related Goodwill. For details please see in Note 19.

Depreciation charge of right-of-use assets:

	2020 HUFm	**2019** HUFm
Land	(21)	(20)
Building	(2,537)	(2,181)
Machinery	2	(1)
Office equipment	(16)	(15)
Vehicles	(1,616)	(1,475)
Total	**(4,188)**	**(3,692)**

The Consolidated Income Statement includes HUF 1,388 million in 2020 (in 2019 HUF 2,954 million) expenses from short-term, low-value and variable lease payments.

6. Employee information

	2020	**2019**
Average number of people employed during the year	12,885	12,906

7. Net financial result

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

	2020 HUFm	2019 HUFm
Unrealised financial items	**(2,571)**	**(740)**
Exchange (loss)/gain on trade receivables and trade receivables	(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 (Note 15)	(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)
Total	**(825)**	**10,294**

Unrealised financial loss was heavily affected by the 3.96 RUB/HUF, 297.36 USD/HUF and 365.13 EUR/HUF exchange rates as of 31 December 2020 (4.74 RUB/HUF on 31 December 2019, 294.74 USD/HUF and 330.52 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation and fair valuation differences together resulted in a gain of HUF 1,259 million in the net financial loss for 2020. This gain was offset by impairment HUF 3,200 million on the investment in Evestra Inc.. For the sensitivity analysis relating to foreign currency exposure see Note 10.

HUF 1,798 million foreign exchange and fair valuation difference of other financial assets and liabilities includes HUF 43 million loss on derivatives.

The Group did not apply hedge accounting under IFRS 9 derivative transactions.

Exchange rate movements are closely monitored by the Group, entering into forward contracts is subject to Management’s review and approval.

8. Income tax expense

The Group discloses the Hungarian local business tax and innovation contribution as income taxes as we have established that these taxes have the characteristics of income taxes in accordance with IAS 12 rather than operating expenses.

	2020 HUFm	2019 HUFm
Corporate income tax	(4,454)	(2,469)
Local business tax	(4,017)	(4,079)
Innovation contribution	(608)	(614)
Current tax	**(9,079)**	**(7,162)**
Deferred tax (Note 17)	(33)	4,744
Income tax	**(9,112)**	**(2,418)**

In 2020 the average effective tax rate calculated on the basis of the current tax is 7.9% and also 7.9% taking into account the effect of deferred tax as well, in 2019 these rates were 14.1% and 4.8% respectively.

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

Parent Company	9%
Romania	16%
Russia	15.5%
Poland	19%

The tax authorities may at any time inspect the books and records within the time frame described in the related statutory regulation and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Relating to uncertain tax position please see Note 37.

Tax rate reconciliation

	2020 HUFm	2019 HUFm
Profit before income tax	**115,164**	**50,848**
Tax calculated at domestic tax rates applicable to profits in the respective countries*	15,149	8,907
Tax effects of:		
Associates results reported net of tax	(81)	(59)
Income not subject to tax	(4,143)	(2,262)
Expense not deductible for tax purposes	528	504
Expense eligible to double deduction**	(3,233)	(3,203)
The effect of changes in tax loss for which no deferred income tax has been recognised***	725	(44)
Other income taxes	899	-
Correction of tax return	4	-
Effect of change in tax rate	-	(1,622)
Impact of deferred tax exceptions on subsidiaries and goodwill****	(363)	197
Investment tax credit	(373)	-
Tax charge	**9,112**	**2,418**

* The tax has been calculated with domestic tax rates including the effect of every income tax (including e.g. local business tax).
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
*** Unused tax loss of the current year on which no deferred tax asset has been recognised adjusted by the effect of the tax loss utilised in current period on which no deferred tax asset was recognised.
**** Deferred tax liability is not recognized in accordance with IAS 12.15 on the related temporary difference.

Investment tax credit

In 2007, the Company notified the Ministry of Finance of its intent to take advantage of the tax relief in connection with the capital expenditure project to construct a new plant in Debrecen to develop and manufacture biotechnology products.

The project was finished in 2011 and all the equipment that formed part of the project was commissioned. The Company took advantage of the investment tax benefit for the first time in financial year 2012, proceeding and calculating it in accordance with the applicable laws and regulations. The amount of investment tax credit used as advantage in 2020 is HUF 353 million.

The remaining tax relief in connection with the Debrecen project is available for subsequent years with an amount of HUF 1,731 million at current value. Therefore Richter is able to take advantage of the tax relief up to 2021, at the latest.

Accounting treatment of the tax credit

The Company assessed this tax credit to be an investment tax credit and applied the initial recognition exception stated in IAS 12.24 and did not recognise any deferred tax in connection with tax credit.

9. Consolidated earnings per share

Basic earnings per share is calculated by reference to the net profit attributable to shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year. These exclude the average number of ordinary shares purchased by the Company and held as Treasury shares.
For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares. As of 31 December 2019 and 31 December 2020 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)

	2020	2019
Net consolidated profit attributable to owners of the parent (HUFm)	104,683	47,135
Weighted average number of ordinary shares outstanding (thousands)	185,971	186,011
Earnings per share (HUF)	**563**	**253**

10. Financial instruments

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

	Notes	Carrying value		Fair value	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		HUFm	HUFm	HUFm	HUFm
Financial assets[1]					
Financial assets measured at amortised cost					
Loans receivable	22	908	673	908	673
Trade receivables	21	152,652	154,426	152,652	154,426
Other current assets	22	7,798	7,315	7,798	7,315
Cash and cash equivalents	24	142,068	128,573	142,068	128,573
Financial assets measured at fair value through OCI					
Government securities[3]	23	5,478	-	5,478	-
Financial assets measured at fair value through profit or loss					
Other securities - convertible promissory note[2]	23	1,664	1,545	1,664	1,545
Current		**310,568**	**292,532**	**310,568**	**292,532**
Financial assets measured at amortised cost					
Loans receivable	18	2,237	2,021	2,237	2,021
Financial assets measured at fair value through OCI					
Government securities[3]	16	36,612	-	36,612	-
Investments	16	1,604	13,603	1,604	13,603
Financial assets measured at fair value through profit or loss					
Corporate bonds[3]	16	4,479	-	4,479	-
Other financial instrument (Mycovia)	16	6,318	5,427	6,318	5,427
Non-current		**51,250**	**21,051**	**51,250**	**21,051**
Financial liabilities					
Liabilities carried at amortised cost					
Trade payables	27	65,838	61,770	65,838	61,770
Other payables and accrual	28	22,662	33,706	22,662	33,706
from this: Lease liabilities		*3,802*	*3,729*	*3,802*	*3,729*
Current		**88,500**	**95,476**	**88,500**	**95,476**
Liabilities carried at amortised cost					
Other non-current liabilities	31	11,573	11,318	11,573	11,318
from this: Lease liabilities		*10,754*	*10,296*	*10,754*	*10,296*
Non-current		**11,573**	**11,318**	**11,573**	**11,318**

[1] All financial assets are free from liens and charges.
[2] Convertible promissory note to associates.
[3] The fair valuation of securities was based on bank data supply.
Level 1: on 31.12.2020 none
Level 2: on 31.12.2020 HUF 46,569 million
The fair value of interest swap rates was discounted to present value by the Group using the available interest rate curve on the market. In case of those corporate bonds, which are recognised under the fair value option, the present value was determined using the discounted cash flow method. Based on the mentioned valuation techniques the financial instruments were assigned to Level 2 category.

Above mentioned different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable at the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial risk management

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

Interest rate risk
As stated below under Capital management the amount of total borrowings of the Group is not relevant since that the interest rate risk arising from borrowings is negligible.

Security price risk
Convertible promissory note denominated in foreign currency, government securities and corporate bonds are presented as current and non-current financial assets. The value of this financial instrument is influenced by the FX and price change. In 2019 the most significant investment of the Group was represented by the interest held in Protek Group which was sold in 2020. Therefore interest held in Themis Medicare Ltd. is presented only (Note 16.2).

I.) Capital management

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is also monitoring the individual entities to meet their statutory capital requirements.
The Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash flow and the financing needs of the ongoing acquisition projects.
The amount of 2020 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

The capital risk of the Group was still limited in both 2020 and 2019, since the net debt calculated as below shows surplus in the balance sheet.

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Borrowings (Note 30)	-	-
Less: cash and cash equivalents (Note 24)	(142,068)	(128,573)
Net debt	**(142,068)**	**(128,573)**
Total equity	813,939	724,873
Total capital	**671,871**	**596,300**
EBITDA*	150,747	75,524
Net debt to EBITDA ratio	**(0.94)**	**(1.70)**
Net debt to equity ratio	**(0.17)**	**(0.18)**

* The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group applies the IFRS 16 Leases standard. As a result of the new standard certain rental expenses are capitalised and the expense is charged as depreciation and interest expense. Such depreciation related to the right-of-use assets is not added back when determining the EBITDA.

	2020 HUFm	2019 HUFm
Profit from operations	115,089	39,896
Depreciation (except for right-of-use asset)	35,658	35,628
EBITDA*	**150,747**	**75,524**

* The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group applies the IFRS 16 Leases standard. As a result of the new standard certain rental expenses are capitalised and the expense is charged as depreciation and interest expense. Such depreciation related to the right-of-use assets is not added back when determining the EBITDA.

II.) Foreign currency risk

The Group performs significant transactions in currencies other than the functional and the presentation currency, therefore faces the risk of currency rate fluctuation. The Group continuously calculates open FX positions and monitors key foreign exchange rates. In order to mitigate the foreign exchange risk the Group is aiming to achieve natural hedging through loans taken in foreign currency. There is no formal threshold stated in the policies of the Group on the exposure level that would automatically require conclusion of derivative instruments to mitigate the foreign currency risk.

Foreign exchange sensitivity of profit

The Group does business in a number of regions, and countries with different currencies. The most typical foreign currencies are the EUR, USD, PLN, RON, RUB, CHF, KZT and the CNY. The calculation of exposure to foreign currencies is based on these eight currencies.

The foreign currency risk management calculation is based on the balances exposed to exchanges of foreign currencies of the Parent Company and the eight principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, PregLem S.A., Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ). The items of the other consolidated companies have insignificant foreign currency exposure as they are performing mainly wholesale and retail activity, purchasing and selling in their functional currency. The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates. Certain foreign currencies recently showed higher volatility therefore according to the decision of the Management these currencies have been diverted in a reasonable level when determining the exchange rate combination (RUB, KZT +/- 10%; USD, CHF +/- 5%).

The table below presents the effect of the change in the average foreign currency rate on the operating profit and on the profit before income tax:

2020	Exchange rates									Effect on operating profit	Effect on profit before income tax	
	*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
	105,00%	**368.53**											
			322.62	**1.14**	**83.12**	**76.23**	**4.68**	**344.56**	**0.83**	**47.03**	**13,491**	**12,965**	**largest growth**
			307.26	1.20	79.16	72.60	4.25	328.15	0.75	44.79	1,952	2,265	
			291.90	1.26	75.20	68.97	3.83	311.74	0.68	42.55	(9,587)	(8,434)	
	100,00%	350.98											
			322.62	1.09	83.12	76.23	4.68	344.56	0.83	47.03	11,539	10,700	
			307.26	1.14	79.16	72.60	4.25	328.15	0.75	44.79	0	0	
			291.90	1.20	75.20	68.97	3.83	311.74	0.68	42.55	(11,539)	(10,700)	
	95,00%	**333.43**											
			322.62	1.03	83.12	76.23	4.68	344.56	0.83	47.03	9,587	8,434	
			307.26	1.09	79.16	72.60	4.25	328.15	0.75	44.79	(1,952)	(2,265)	
			291.90	**1.14**	**75.20**	**68.97**	**3.83**	**311.74**	**0.68**	**42.55**	**(13,491)**	**(12,965)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

2019			Exchange rates								Effect on operating profit	Effect on profit before income tax	
	*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
	103,07%	**335.35**											
			305.15	**1.10**	**77.95**	**70.84**	**4.94**	**305.96**	**0.84**	**43.36**	**12,239**	**13,380**	**largest growth**
			290.62	1.15	75.63	68.73	4.49	291.39	0.76	42.07	1,039	1,192	
			276.09	1.21	73.31	66.62	4.04	276.82	0.68	40.78	(10,161)	(10,997)	
	100,00%	325.36											
			305.15	1.07	77.95	70.84	4.94	305.96	0.84	43.36	11,200	12,188	
			290.62	1.12	75.63	68.73	4.49	291.39	0.76	42.07	0	0	
			276.09	1.18	73.31	66.62	4.04	276.82	0.68	40.78	(11,200)	(12,188)	
	96,93%	**315.37**											
			305.15	1.03	77.95	70.84	4.94	305.96	0.84	43.36	10,161	10,997	
			290.62	1.09	75.63	68.73	4.49	291.39	0.76	42.07	(1,039)	(1,192)	
			276.09	**1.14**	**73.31**	**66.62**	**4.04**	**276.82**	**0.68**	**40.78**	**(12,239)**	**(13,380)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

Based on the yearly average currency rate sensitivity analysis of 2020 the combination of weak Hungarian Forint –368.53 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 13,491 million on the Group's consolidated operating profit and HUF 12,965 million on the Group's consolidated profit for the year.
The greatest decrease HUF 13,491 million on operating and HUF 12,965 million on profit for the year would have been caused by the combination of exchange rates of 333,43 EUR/HUF against other currencies.

Based on the yearly average currency rate sensitivity analysis of 2019 the combination of weak Hungarian Forint – 335.35 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 12,239 million on the Group's consolidated operating profit and HUF 13,380 million on the Group's consolidated profit for the year. The greatest decrease HUF 12,239 million on operating and HUF 13,380 million on profit for the year would have been caused by the combination of exchange rates of 315.37 EUR/HUF against other currencies.

Currency sensitivity of balance sheet items

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency.
Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts, loans receivable, borrowings and deferred purchase price liabilities considering that items of related parties are eliminated during consolidation. The calculation is based on the items of the Parent Company and the eight principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, PregLem S.A., Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ). The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates.
The calculation is based on the exchange rates combinations presented below. Recently, Management has experienced higher sensitivity in case of certain currencies, therefore these currencies have been diverted more when determining the exchange rate combinations (RUB, KZT +/- 10%; USD, CHF +/- 5%).

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

2020	Exchange rates									Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	
105,00%	**383.39**										
		312.23	**1.23**	**83.25**	**78.74**	**4.36**	**354.28**	**0.78**	**47.72**	**11,540**	**best case scenario**
		297.36	1.29	79.29	74.99	3.96	337.41	0.71	45.45	2,277	
		282.49	1.36	75.33	71.24	3.56	320.54	0.64	43.18	(6,987)	
100,00%	365.13										
		312.23	1.17	83.25	78.74	4.36	354.28	0.78	47.72	9,264	
		297.36	1.23	79.29	74.99	3.96	337.41	0.71	45.45	-	
		282.49	1.29	75.33	71.24	3.56	320.54	0.64	43.18	(9,264)	
95,00%	**346.87**										
		312.23	1.11	83.25	78.74	4.36	354.28	0.78	47.72	6,987	
		297.36	1.17	79.29	74.99	3.96	337.41	0.71	45.45	(2,277)	
		282.49	**1.23**	**75.33**	**71.24**	**3.56**	**320.54**	**0.64**	**43.18**	**(11,540)**	**worst case scenario**

* Change of EUR/HUF balance sheet date exchange rates.

2019		Exchange rates								Effect on net financial position	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	
103,07%	**340.67**										
		309.48	**1.10**	**79.97**	**71.20**	**5.21**	**319.61**	**0.85**	**43.64**	**7,353**	**best case scenario**
		294.74	1.16	77.59	69.08	4.74	304.39	0.77	42.34	402	
		280.00	1.22	75.21	66.96	4.27	289.17	0.69	41.04	(6,548)	
100,00%	330.52										
		309.48	1.07	79.97	71.20	5.21	319.61	0.85	43.64	6,950	
		294.74	1.12	77.59	69.08	4.74	304.39	0.77	42.34	0	
		280.00	1.18	75.21	66.96	4.27	289.17	0.69	41.04	(6,950)	
96,93%	**320.37**										
		309.48	1.04	79.97	71.20	5.21	319.61	0.85	43.64	6,548	
		294.74	1.09	77.59	69.08	4.74	304.39	0.77	42.34	(402)	
		280.00	**1.14**	**75.21**	**66.96**	**4.27**	**289.17**	**0.69**	**41.04**	**(7,353)**	**worst case scenario**

* Change of EUR/HUF balance sheet date exchange rates.

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY weaken against HUF. In this case the consolidated financial result would decrease by HUF 11,540 million. The best case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY would strengthen against HUF. In this case the consolidated financial result would increase by HUF 11,540 million.

In 2019 the worst case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY weaken against HUF. In this case the consolidated financial result would decrease by HUF 7,353 million. The best case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT and CNY would strengthen against HUF. In this case the consolidated financial result would increase by HUF 7,353 million.

Since loans receivables and borrowings given to subsidiaries are eliminated during the consolidation process these items are not taken into consideration in the sensitivity analyses, however the revaluation effect of these balance sheet items influence the Net Financial Income/(loss) of the Group.

The Group's exposure to foreign currency risk at the end of the reporting period:

2020	**Currencies** (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Loans receivable	0.2	2.1	-	-	-	0.7	-	-
Trade receivables	53.2	117.5	0.8	8,018.9	465.7	87.6	1,984.6	100.7
Investments in securities	31.1	30.2	-	-	-	-	-	-
Bank deposits	82.2	188.3	5.3	385.1	76.0	22.6	415.0	25.7
Trade payables	(31.3)	(4.5)	(0.7)	(77.5)	(474.0)	(8.1)	(34.7)	-
Other liabilities	(1.1)	(4.0)	-	(8.3)	-	(0.2)	-	-
Lease liabilities	(9.5)	(0.8)	(0.4)	(157.7)	(1.2)	(20.2)	(25.6)	-
Total	**124.8**	**328.8**	**5.0**	**8,160.5**	**66.5**	**82.4**	**2,339.9**	**126.4**

2019	**Currencies** (all amounts in millions)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Loans receivable	0.5	2.1	-	-	-	-	-	-
Trade receivables	63.2	93.9	0.9	8,090.9	494.9	88.8	1,910.6	130.4
Investments in securities	-	26.3	-	-	-	-	-	-
Bank deposits	70.3	34.2	2.6	758.8	39.6	16.4	646.3	76.9
Trade payables	(31.3)	(3.5)	(0.4)	(47.3)	(415.8)	(9.6)	(33.3)	-
Other liabilities	(0.1)	(16.7)	-	(225.7)	-	-	-	-
Lease liabilities	(63.0)	(0.7)	(0.6)	(32.2)	(0.9)	(22.1)	-	-
Total	**39.6**	**135.6**	**2.5**	**8,544.5**	**117.8**	**73.5**	**2,523.6**	**207.3**

III.) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group regularly assesses its customers and establishes payment terms and credit limits associated to them. Richter also reviews the payment of the receivables on a regular basis and monitors the overdue balances. The Group also regularly requires securities (e.g. credit insurance, bank guarantees) from its customers. If the customers reached the contractual credit limit and even not able to present any securities required, further shipments can be suspended by the Group.
The Group does business with key customers in many countries. These customers are major import distributors in their countries and management of the Group maintains close contact with them on an ongoing basis. In 2020 there is only one customer (Allergan) where the turnover exceeds 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar®.

Provisions for doubtful debts receivables are estimated by the Group's management based on the expected credit loss model. The following securities are applied to minimize the credit risk.

Regions	Trade receivables secured as at	Type of security		
	31 December 2020 HUFm	Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	39,963	39,646	317	-
EU	463	-	463	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	1,635	1,497	-	138
Total	**42,061**	**41,143**	**780**	**138**

Regions	Trade receivables secured as at	Type of security		
	31 December 2019 HUFm	Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	45,796	43,638	2,158	-
EU	420	-	420	-
USA	-	-	-	-
China	-	-	-	-
Latin America	171	171	-	-
Other	698	351	149	198
Total	**47,085**	**44,160**	**2,727**	**198**

*The balance of trade receivables included in the (export credit) insurance program is presented as secured portfolio as at the balance sheet date, regardless of whether its risk relating to non-payment is additionally secured by other instruments or not.

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

As a result of the composition of the Group, the Parent Company has the most significant Cash and cash equivalents (more than 75% of the Group's total Cash and cash equivalents). Therefore details of the Parent Company are disclosed.

The credit rating of the most significant banks as of 31 December 2020 based on Standard and Poor's international credit rating institute are the followings (if such credit rating is not available we present the rating of its "ultimate parent"):

	31 December 2020	31 December 2019
Banca Commerciala Romana SA*	BBB+	BBB+
Bank of China Ltd. Magyarországi Fióktelepe	A	A
BNP Paribas Magyarországi Fióktelepe	A+	A+
CIB Bank Zrt.*	BB+	BBB-
ING Bank N.V. Magyarországi Fióktelepe	A+	A+
K&H Bank Zrt.*	BBB+	BBB+
KDB Bank Európa Zrt. (ultimate parent - Korea Development Bank)	AA	AA
JSC OTP Bank*	BB+	BB+
OTP Bank Nyrt.	BBB	BBB-
UniCredit Bank Zrt. (ultimate parent - UniCredit SpA)	BBB	BBB

* For these financial institutes we present the rating of Fitch Ratings, since rating of Standard and Poor's is not available.

In 2020 the Group invested into government and corporate bonds in the amount of HUF 46 billion that is presented as non-current financial assets in the Balance Sheet. These financial assets are hold at above listed high quality financial institutions. The other bank relations of the Group are widely dispersed, therefore the credit exposure with one financial institution is limited. The Group has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.
The Group has a customer (Allergan) where the turnover exceeds 10% of net sales. The customer has settled all open item up to the balance sheet date.

IV.) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. These forecasts are updated on a monthly basis based on actual data. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach covenants. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities.
Besides these, on operational level various cash pool systems throughout the Group help to optimise liquidity surplus and need on a daily basis.
The liquidity risk of the Group was limited in 2020 and 2019, since the Cash and cash equivalents presented in the balance sheet exceeds the Current liabilities and the balance of the Current assets is higher than the total liabilities.

The banks of the Group issued the guarantees detailed below, enhancing the liquidity in a way that the Group did not have to provide for these cash amounts:

	2020 HUFm	**2019** HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	194	196
Bank guarantee for Romanian suppliers	3,011	3,408
Other, individually not significant bank guarantees	145	185

11. Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

Level 1 measurements are at quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 measurements are valuations techniques with all material inputs observable at the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses unobservable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the Consolidated Balance Sheet at the end of each reporting period.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

HUFm	Notes	31 December 2020				31 December 2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Current financial assets measured at fair value through profit or loss	23	-	-	1,664	**1,664**	-	-	1,545	**1,545**
Current financial assets measured at fair value through OCI	23	-	5,478	-	**5,478**	-	-	-	**-**
Non-current financial assets measured at fair value through OCI	16	1,604	36,612	-	**38,216**	13,603	-	-	**13,603**
Non-current financial assets measured at fair value through profit or loss	16	-	4,479	6,318	**10,797**	-	-	5,427	**5,427**
Total assets recurring fair value measurements		**1,604**	**46,569**	**7,982**	**56,155**	**13,603**	**-**	**6,972**	**22,120**

There was no financial liability and contract liability measured at fair value neither in 2019 nor in 2020.

The Group decides to exercise the governments securities at fair value through OCI at initial recognition. The Group recognizes corporate bonds at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The Group has derivative financial instruments on balance sheet date, which can be found in Note 12.

Please see the details of the Other investments' fair value (above presented as Non-current financial assets measured at fair value through OCI) in Note 16.

There were no changes in valuation method neither for level 1, nor for level 2 and level 3 recurring fair value measurements during the year ended 31 December 2020 and 2019.

The valuation technique, inputs used in the fair value measurement for most significant level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2020 and 2019 (Note 3.1):

	Fair value at 31 December 2020 HUFm	**Valuation technique**	**Unobservable inputs**	**Range of inputs (weighted average)**		**Sensitivity of fair value measurement**
Assets at fair value						
Convertible promissory note Prima Temp	1,664	Option valuation model	· Price of the stock	37.5	USD/share	The change of the stock price multiples the fair value
			· Strike price of the option	0.81	USD/share	The higher the strike price the lower the fair value
			· Time in years	0.5	year	The longer the time in years the higher the fair value
			· The annualised risk free rate	0.12	%	The higher the annualised risk free rate the higher the fair value
			· Standard deviation of the stock's returns (volatility)	11.92	%	The higher the standard deviation the higher the fair value
Other financial instrument Mycovia	6,318	Discounted cash flows (DCF)	· Estimated future profit			The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	297.36	HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	9.19	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**7,982**					

	Fair value at 31 December 2019 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)		Sensitivity of fair value measurement
Assets at fair value						
Convertible promissory note Prima Temp	1,545	Option valuation model	· Price of the stock	37.5	USD/share	The change of the stock price multiples the fair value
			· Strike price of the option	0.96	USD/share	The higher the strike price the lower the fair value
			· Time in years	0.25	year	The longer the time in years the higher the fair value
			· The annualised risk free rate	1.54	%	The higher the annualised risk free rate the higher the fair value
			· Standard deviation of the stock's returns (volatility)	11.92	%	The higher the standard deviation the higher the fair value
Other financial instrument Mycovia	5,427	Discounted cash flows (DCF)	· Estimated future profit			The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	294.74	HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	12.08	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**6,972**					

The above tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

(b) Non-recurring fair value measurements

The Group did not have non-recurring fair value measurement of any assets or liabilities.

(c) Valuation processes for recurring and non-recurring level 3 fair value measurements

Level 3 valuations are reviewed annually by the Group's financial director who reports to the Board of Directors. The financial director considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the director performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

(d) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value is presented at Note 10. The fair value of the current financial assets and liabilities carried at amortized cost does not significantly differ from its carrying amount.

12. Financial derivative instruments

Government bonds and corporate bonds purchased by the Group are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Group has entered into interest rate swaps in the case of corporate bonds, during which it exchanges fixed interest rates for variables. The maturity and currency data of these transactions are summarized in the table below.

Name	Nominal value	Maturity date	Carrying value HUFm
Interest rate swap (HUF)	3,000,000,000	2029	(41)
Interest rate swap (EUR)	5,000,000	2027	(2)
Total			**(43)**

The Group's derivative instruments are interest rate swaps. The Group does not apply the hedge accounting.

	31 December 2020 HUFm	31 December 2019 HUFm
Liabilities		
Long-term financial derivative instruments		
Interest rate swaps	(27)	-
Short-term financial derivative instruments		
Interest rate swaps	(16)	-
Total financial derivative liabilities	**(43)**	**-**

The Group recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The relevant part of the accounting policy can be found in Note 2 paragraph X/D.

13. Property, plant and equipment, Right-of-use assets and other intangible assets

13.1 Property, plant and equipment

	31 December 2020 HUFm	31 December 2019 HUFm
Property, plant and equipment without Right-of-use assets	239,986	230,979
Right-of-use assets	14,135	13,775
Total	**254,121**	**244,754**

13.1.1 Property, plant and equipment without Right-of-use assets

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2018	**170,836**	**294,801**	**22,383**	**488,020**
Translation differences	2,401	2,373	274	**5,048**
Capitalization	9,881	26,354	(36,235)	**-**
Transfers and capital expenditure	1,365	674	39,526	**41,565**
Disposals	(2,858)	(7,594)	(467)	**(10,919)**
at 31 December 2019	**181,625**	**316,608**	**25,481**	**523,714**
Accumulated depreciation				
at 31 December 2018	**52,048**	**221,092**	**-**	**273,140**
Translation differences	510	1,431	-	**1,941**
Current year depreciation	5,151	18,714	-	**23,865**
Net foreign currency exchange differences	24	123	-	**147**
Disposals	(321)	(6,037)	-	**(6,358)**
at 31 December 2019	**57,412**	**235,323**	**-**	**292,735**
Net book value				
at 31 December 2018	**118,788**	**73,709**	**22,383**	**214,880**
at 31 December 2019	**124,213**	**81,285**	**25,481**	**230,979**

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2019	**181,625**	**316,608**	**25,481**	**523,714**
Translation differences	(811)	575	(168)	**(404)**
Capitalization	9,953	24,755	(34,708)	**-**
Transfers and capital expenditure	1,682	1,760	36,903	**40,345**
Disposals	(2,321)	(7,944)	(200)	**(10,465)**
Assets classified as held for sale	(2,056)	(505)	(8)	**(2,569)**
at 31 December 2020	**188,072**	**335,249**	**27,300**	**550,621**
Accumulated depreciation				
at 31 December 2019	**57,412**	**235,323**	**-**	**292,735**
Translation differences	182	752	-	**934**
Current year depreciation	5,437	19,244	-	**24,681**
Net foreign currency exchange differences	(3)	(26)	-	**(29)**
Disposals	(265)	(5,916)	-	**(6,181)**
Assets classified as held for sale	(1,086)	(419)	-	**(1,505)**
at 31 December 2020	**61,677**	**248,958**	**-**	**310,635**
Net book value				
at 31 December 2019	**124,213**	**81,285**	**25,481**	**230,979**
at 31 December 2020	**126,395**	**86,291**	**27,300**	**239,986**

All items of Property, plant and equipment are free from liens and charges. The amount of Land and buildings does not contain any Investment property. Since the value of Investment property is not material it is not disclosed separately.

From 2019 leased assets are presented among Property, plant and equipment in the Consolidated Balance Sheet, see Note 13.1.2.

13.1.2 Right-of-use assets

The Consolidated Balance Sheet shows the following amounts relating to leases:

	31 December 2020	31 December 2019
	HUFm	HUFm
Land	1,427	1,397
Building	9,546	9,790
Machinery	7	6
Office equipment	58	54
Vehicles	3,097	2,528
Total	**14,135**	**13,775**

The gross value of the right-of-use assets increased by HUF 4,548 million. The depreciation in the current year is HUF 4,188 million (in 2019 HUF 3,692 million, see Note 5). Therefore, the net increase was HUF 360 million in the value of right-of- use assets in 2020, which comprises of new transactions, revaluations and modifications.

13.2 Other intangible assets

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value						
at 31 December 2018	**159,863**	**5,162**	**423**	**83,530**	**53,613**	**302,591**
Translation differences	500	71	-	4,842	-	**5,413**
Acquisition	18,588	466	-	-	-	**19,054**
Disposals	(1,388)	(25)	-	-	-	**(1,413)**
at 31 December 2019	**177,563**	**5,674**	**423**	**88,372**	**53,613**	**325,645**
Accumulated depreciation						
at 31 December 2018	**87,835**	**3,238**	**423**	**54,086**	**5,361**	**150,943**
Translation differences	409	58	-	3,313	-	**3,780**
Current year amortization	7,855	406	-	1,357	2,145	**11,763**
Net foreign currency exchange differences	19	6	-	56	-	**81**
Impairment and reversal of impairment (net)	2,928	-	-	28,801	-	**31,729**
Disposals	(263)	(23)	-	-	-	**(286)**
at 31 December 2019	**98,783**	**3,685**	**423**	**87,613**	**7,506**	**198,010**
Net book value						
at 31 December 2018	**72,028**	**1,924**	**-**	**29,444**	**48,252**	**151,648**
at 31 December 2019	**78,780**	**1,989**	**-**	**759**	**46,107**	**127,635**

* The ESMYA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of PregLem S.A.
** The BEMFOLA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of Finox.

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value						
at 31 December 2019	**177,563**	**5,674**	**423**	**88,372**	**53,613**	**325,645**
Translation differences	1,433	(23)	-	-	-	**1,410**
Acquisition	29,792	458	-	-	-	**30,250**
Disposals	(879)	(210)	-	-	-	**(1,089)**
Assets classified as held for sale	(9)	(12)	-	-	-	**(21)**
at 31 December 2020	**207,900**	**5,887**	**423**	**88,372**	**53,613**	**356,195**
Accumulated depreciation						
at 31 December 2019	**98,783**	**3,685**	**423**	**87,613**	**7,506**	**198,010**
Translation differences	949	119	-	-	-	**1,068**
Current year amortization	8,379	366	-	87	2,145	**10,977**
Net foreign currency exchange differences	6	5	-	-	-	**11**
Impairment and reversal of impairment (net)	4,384	-	-	672	-	**5,056**
Disposals	(37)	(180)	-	-	-	**(217)**
Assets classified as held for sale	(2)	(11)	-	-	-	**(13)**
at 31 December 2020	**112,462**	**3,984**	**423**	**88,372**	**9,651**	**214,892**
Net book value						
at 31 December 2019	**78,780**	**1,989**	**-**	**759**	**46,107**	**127,635**
at 31 December 2020	**95,438**	**1,903**	**-**	**-**	**43,962**	**141,303**

* The ESMYA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of PregLem S.A.
** The BEMFOLA presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of Finox.

All intangible assets are free from liens and charges. The intangible assets of the Group, except for R&D, are not own produced.

ESMYA (covering the entire ESMYA column above EU/NA region)
In the course of PregLem S'A.'s acquisition the rights attached to the distribution in the EU and the North America of ESMYA® was recognised as an independent intangible asset in 2010. The amortization of the asset related to the EU market started in the second quarter of 2012 as a result of the market launch of the product with an estimated useful life of 25 years. ESMYA asset belongs to a group of CGU with goodwill at acquisition. The goodwill related to the CGU as of 31 December 2019 was fully impaired.

BEMFOLA
The intangible asset was recognised at the acquisition transaction of Finox in the value of HUF 50,916 million with 25 years useful life. The amortisation of this asset started in 2016.
Started in 2017 and completed by the end of 2018, Richter's integration of the company's operations into Richter's system took over the full distribution of Bemfola®, the Western European marketing of the product and the secondary packaging of the product. As a result, the business model of the product has changed and the profit center has been moved from Finox to the parent company. Finox has transferred the commercial rights of Bemfola® under an agreement, so that from the date of the contract all profits/losses will be realized at the Parent Company. Accordingly, the BEMFOLA intangible asset recognized at the acquisition, at the consolidated level, also owned by the Parent Company, which means that the value previously recorded in EUR - Finox Group currency - was converted into the currency of the Parent (HUF) at the date of the transfer. Net book value of BEMFOLA intangible is HUF 42,625 million as of 31 December 2020.
Another intangible asset was recognised during the acquisition in the amount of HUF 1,597 million, as Customer Relationship. The value of this intangible was considerably smaller compared to BEMFOLA. Net book value after amortisation, started in 2016, is HUF 1,337 million as of 31 December 2020.

The most significant Rights are described below, with related impairment test where applicable:

Net book value	**31 December 2020** HUFm	**31 December 2019** HUFm
Grünenthal	20,865	25,989
Bemfola®/Afolia	4,649	6,242
Mithra/Estelle	14,138	11,365
Mifepristone	4,218	3,502
Relugolix	16,442	-
Mycovia	6,178	6,025
Pharmacy licenses	2,882	2,630
Other, individually not significant rights	26,066	23,027
Total	**95,438**	**78,780**

Rights – ESMYA EU intangible asset
Taken into account the circumstances and events presented in Note 3.1 the Group determined that 100% impairment should be accounted for the ESYMA EU intangible asset 2019 shall not be reversed, since 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment . The carrying value of the asset is HUF 0.

ESMYA North American intangible asset
In 2019 the registration application of ESMYA® in the USA was withdrawn and neither the Company nor its license partner Allergan would like to submit a new application. Based on the above the Company determined that 100% impairment should be accounted for the USA related part of the NA ESMYA intangible asset.
During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Result of ESMYA EU and NA intangible asset impairment tests as of 31 December 2019
As a result of the impairment test it was found that the recoverable amount of the ESMYA NA intangible asset's part which is allocated to USA is HUF 0, which meant a need to account for an impairment amounting to HUF 5,928 million. The remaining Canada related recoverable amount is 20% higher than its book value, therefore no impairment deemed to be necessary to be accounted for. The remaining book value of the ESMYA NA intangible asset was HUF 759 million.

The discount rates (NA post tax: 8.5%) applied reflect current market assessments of the time value of money and the risks specific to the intangible assets for which future cash flow estimates have not been adjusted.

The recoverable amount of both intangibles was determined by the fair value less cost of disposal applying the Multi-Period Excess Earnings Method.

Rights – ESMYA LatAm intangible asset
During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Rights – ESMYA other countries' intangible assets
Taken into account the impairment accounted for PregLem goodwill, ESMYA North-America intangible asset and ESMYA LatAm intangible assets (Brazil, Mexico) the Company concluded that 100% impairment is necessary to be recognised regarding the remaining ESMYA related intangible assets, which were determined as individually not significant assets in previous financial statements. During 2020 there were no significant changes in circumstances which would have resulted in any reversal of previously recognised impairment.

Rights – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorisation (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. Net book value of the rights in relation to Grünenthal is HUF 20,865 million as of 31 December 2020 and HUF 25,989 million as of 31 December 2019.

Rights – Relugolix
On 31 March 2020 the Company announced that it have entered into an exclusive license agreement with Myovant Sciences GmbH which is a healthcare company focused on developing innovative treatments for women's health and prostate cancer for Gedeon Richter to commercialize Relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand. Under the agreement, Myovant will receive an upfront payment of USD 40 million and is eligible to receive up to USD 40 million in regulatory milestones and USD 107.5 million in sales related milestones, and tiered royalties on net sales following regulatory approval. Myovant retains all rights to Relugolix combination tablet in the U.S., as well as rights to Relugolix in other therapeutic areas outside of women's health. Net book value of the rights is HUF 16,442 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mithra/Estelle
As part of Richter's Specialty Pharma strategy on 2 September 2018 Richter announced that it entered into an exclusive license and supply agreement with Mithra Pharmaceuticals to commercialize Estelle®, a combined oral contraceptive, containing estetrol and drospirenone. Richter is going to commercialize the product under a different brand name. The geographic scope of the agreement covers Europe and Russia. Under the terms of the agreement Richter made upon signature of the contract an upfront payment totalling EUR 35 million. Mithra is entitled to receive additional milestone payments amounting to EUR 20 million depending on the progress of development and regulatory process of the product. Further sales related royalties will become payable to Mithra subsequent to the launch of the product and Mithra will receive guaranteed annual recurring revenues based on minimum annual quantities (MAQ), in addition to tiered royalties on net sales. Net book value of the rights is HUF 14,138 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Mycovia
On 16 October 2019 Richter and Mycovia Pharmaceuticals, Inc. announced that they have entered into an exclusive license and development and technology transfer agreement to commercialize and manufacture VT-1161, currently in Phase III clinical trials for the treatment of Recurrent Vulvovaginal Candidiasis.
The geographic scope of the license agreement covers Europe, Russia, the other CIS countries, Latin America and Australia. Under the terms of the agreement Richter shall make milestone payments related to the clinical development process. These payments shall extend over the next two years and will total USD 20 million. Additional development and sales milestone payments shall be due depending on the progress of the regulatory process and commercial success of the product. The value of Mycovia intangible asset is HUF 6,178 million as of 31 December 2020. As of 31 December 2020, we performed impairment test for intangible assets based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Bemfola®/Afolia
On 30 June 2016 Richter acquired Finox Holding, a privately held Swiss biotech company focused on development and commercialisation of innovative and cost effective products addressing female fertility. Finox's product, Bemfola® is a recombinant-human Follicle Stimulating Hormone (r-hFSH) which was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola® except for the US. As a result of the acquisition Richter expanded its Women's Healthcare portfolio with the female fertility therapeutic area and was able to increase its biosimilar market potential. On 10 July, 2018 Richter announced that it established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, Bemfola®/Afolia, for the use in the United States. During 2020, the Company recognized 100% impairment loss of HUF 1,389 million on intellectual property rights in relation to the US territory. Richter does not intend to launch the product in the US as significant additional clinical development costs in accordance with FDA regulations would occur, which would significantly decrease the profitability of the product taken into account the potential market size and market share. As of 31 December 2020, we performed impairment test for the remaining intangible assets of HUF 4,649 million based on qualitative indicators and concluded that there was no need to recognize any impairment loss.

Rights – Pharmalicences
Impairment test was performed on the value of pharmacy licenses in Romania (presented in the Wholesale and retail segment) which resulted in impairment of HUF 40 million and reversal of impairment of HUF 19 million in 2020. In 2019, impairment losses of HUF 84 million and reversal of HUF 527 million were recognized for the same reason.
In 2020, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. We have reviewed the residual value in the evaluation as of 31 December 2020. Since there was not enough information to use the market approach methodology, as in 2019, we applied the income approach used previously.

The average remaining useful life of the intellectual properties does not exceed 7 years, in 2019 it was 8 years.

14. Consolidated companies

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

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2020	2019	2020	2019	
1	AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing, wholesale
2	Gedeon Richter Romania S. A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical manufacturing
3	Gedeon Richter Polska Sp. z o.o.	Poland	99.84	99.84	99.84	99.84	Pharmaceutical manufacturing, Marketing services
4	Richter Themis Medicare (India) Pvt. Ltd.	India	51.00	51.00	51.00	51.00	Pharmaceutical manufacturing
5	Gedeon Richter Pharma GmbH	Germany	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
6	Gedeon Richter USA Inc.	USA	100.00	100.00	100.00	100.00	Pharmaceutical trading
7	RG Befektetéskezelő Kft.	Hungary	100.00	100.00	100.00	100.00	Financial-accounting and controlling activities
8	Gedeon Richter UA PAT	Ukraine	100.00	98.16	100.00	98.16	Pharmaceutical trading
9	Gedeon Richter UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
10	Gedeon Richter Iberica S.A.U	Spain	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
11	Nedermed B.V.(1)	The Netherlands	-	100.00	-	100.00	Pharmaceutical trading
12	Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
13	Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
14	Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
15	Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
16	Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
17	Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
18	Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
19	GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
20	Armedica Trading S.R.L.	Romania	99.92	99.92	99.92	99.92	Portfolio management
21	Gedeon Richter Farmacia S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical retail
22	Gedeon Richter France S.A.S.	France	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
23	I.M. Gedeon Richter-Retea Farmaceutica S.R.L.	Moldavia	51.00	51.00	51.00	51.00	Pharmaceutical retail
24	Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
25	Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
26	Medimpex UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
27	Farnham Laboratories Ltd. (2)	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
28	Gedeon Richter Aptyeka SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
29	Pharmafarm S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical wholesale
30	Gedeon Richter Ukrfarm TOV	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2020	2019	2020	2019	
31	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
32	PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Research and development, marketing services
33	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
34	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
35	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
36	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
37	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
38	Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
39	I.M. Rihpangalpharma S.R.L.	Moldavia	65.00	65.00	65.00	65.00	Pharmaceutical wholesale
40	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
41	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
42	Gedeon Richter trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
43	Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
44	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
45	TOO Gedeon Richter KZ	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
46	GRMed Company Ltd.	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
47	Gedeon Richter Pharmaceuticals (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
48	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
49	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
50	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
51	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, marketing services
52	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
53	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
54	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
55	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
56	Gedeon Richter Bolivia SRL	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
57	Gedeon Richter Australia PTY Ltd.	Australia	100.00	100.00	100.00	100.00	Trading of biotech products, marketing services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2020	2019	2020	2019	
58	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
59	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
60	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
61	Finox Biotech UK and Ireland Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Marketing services
62	GR Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
63	Gedeon Richter Bulgaria	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
64	Gedeon Richter Pharma O.O.O	Russia	100.00	100.00	100.00	100.00	Marketing services
65	Pharmapolis Gyógyszeripari Tud. Park Kft.	Hungary	100.00	100.00	100.00	100.00	Building project management

(1) The company had been liquidated in January 2020.
(2) The company's principal activity has been suspended.

Subsidiaries newly included in the consolidation

	Name	Date of establish-ment/ acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				2020	2019	2020	2019	
68	Forhercare Kft.	03 2020	Hungary	100.00	-	100.00	-	Pharmaceutical retail

14.1 Summarised financial information on subsidiaries with material non-controlling interests

The total non-controlling interest as of 31 December 2020 is HUF 6,982 million (in 2019 HUF 6,892 million), of which HUF 4,767 million (in 2019 HUF 4,312 million) is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,388 million (in 2019 HUF 1,431 million) is attributed to Medimpex West Indies Ltd.. The impact of other owners of the remaining subsidiaries with non-controlling interests are insignificant on the Group.

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

2020	Medimpex West Indies Ltd. (13) HUFm	Richter-Helm BioLogics GmbH & Co. KG (24) HUFm
Accumulated non-controlling interest	1,388	4,767
Non-current assets	80	9,044
Current assets	4,417	10,877
Non-current liabilities	-	1,421
Current liabilities	820	3,249
Revenues	3,844	18,081
Profit/(loss)	460	4,738
Dividends paid	535	4,809
Total cash-flow	(79)	(54)

2019	Medimpex West Indies Ltd. (13) HUFm	Richter-Helm BioLogics GmbH & Co. KG (24) HUFm
Accumulated non-controlling interest	1,431	4,312
Non-current assets	56	6,672
Current assets	4,252	11,554
Non-current liabilities	-	1,129
Current liabilities	573	3,327
Revenues	3,234	14,312
Profit/(loss)	443	3,031
Dividends paid	512	-
Total cash-flow	(50)	916

In case of subsidiaries with material non-controlling interests Other comprehensive income is not material (see the Consolidated Statement of Changes in Equity), therefore not disclosed individually.

The non-controlling interest is recognised to the extent the risks and rewards of ownership of those shares remain with them. For each acquisition the terms of the contracts are analysed in detail. In case of complex scenarios (e.g when contingent-deferred purchase prices are also involved), factors considered includes, the pricing of the forward contract, any ability to avoid future payment, whether share price movements during the contract period result in benefits and losses being borne by the Group or by the non-controlling shareholder.

15. Investments in associates and joint ventures

	2020 HUFm	2019 HUFm
At 1 January	**16,192**	**11,755**
Acquisition/capital increase	-	4,840
Share of profit of associates and joint ventures	900	658
Net investments*	(758)	28
Dividend	(762)	(910)
Impairment	(3,200)	-
Exchange difference	(103)	(179)
At 31 December	**12,269**	**16,192**
out of investment in associates	10,957	14,902
out of investment in joint ventures	1,312	1,290

* Share of loss and exchange difference recognized against loans provided to joint ventures (as net investment in joint ventures) in accordance with IAS 28.38.

In 2019 the Company increased its shares in its associate company, Evestra Inc. On the one hand a convertible loan was converted into shares and on the other hand the Company purchased further shares. In 2020, Richter has terminated its license agreements for two products under development with Evestra Inc. Due to unfavourable market conditions and license agreements terminated the expected future cash flows have significantly worsened. Based on the assumptions the recoverable amount of the shareholding is significantly lower than the book value therefore HUF 3,200 million impairment loss was recognized in 2020. The net book value of the investments in Evestra after impairment loss is HUF 1,624 million as at 31 December 2020.

Reconciliation of the summarised financial information presented to the carrying amount of the associates, highlighting the most significant associate of the Group (Hungaropharma Zrt.). Since Hungaropharma Zrt. is a group preparing IFRS consolidated financial statements, therefore in the net asset figure below, the "preliminary consolidated net asset attributable to the owner of the parent" was taken into account.

	2020 HUFm	2019 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**26,002**	**24,755**
Profit for the year*	2,821	2,065
Dividends	(739)	(818)
Closing net assets at 31 December of Hungaropharma Zrt.	**28,084**	**26,002**
Interest in associate (at 30.85%)	8,673	8,026
Unrealised profit elimination	(104)	(166)
Interest in other associates	2,388	7,043
Carrying value at 31 December	**10,957**	**14,902**

* The profit for the year was adjusted to reflect the difference between the audited and non-audited balance of the associate as of the previous year. The adjustment was not material.

Similar reconciliation of the investment in joint ventures is not performed, since they are considered to be not significant.

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

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2020									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	14,856	77,892	7,034	57,976	401,817	4,453	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	70	-	35	674	24	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	35	131	-	22	497	11	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	27	48	-	32	446	10	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	438	6	-	448	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	18	-	19	137	-	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,507	5,655	13	2,564	-	482	35.42
Prima Temp Inc.	USA	Pharmaceutical research, development	325	124	59	1,746	49	(1,431)	22.99

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2019									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	13,030	66,588	7,278	47,679	371,434	3,974	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	136	-	93	651	33	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	36	160	-	25	612	40	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	26	38	-	26	382	3	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	438	9	-	447	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	13	-	14	122	(3)	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,247	4,441	3	457	-	(1,359)	35.45
Prima Temp Inc.	USA	Pharmaceutical research, development	395	1,345	59	1,649	721	(610)	27.73

The financial statements for 2020 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2019 has not been amended in 2020 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2019.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2020 and 2019).

At 31 December the following joint ventures have been accounted for using the equity method:

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2020										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,236	86	119	43	268	41	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	7	-	1	-	(1)	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	4,248	12,823	50	2,326	1,623	302	50.00

Name	Place of incorporation	Principal activity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Profit / (loss)	OCI	Interest held
			HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	%
2019										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,018	154	-	57	346	89	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	7	-	1	-	-	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	2,478	11,905	174	3,684	1,588	111	50.00

* The balance of Medimpex Irodaház Kft. contains adjustment of the fair value of the Investment property to be in line with the Accounting Policy of the Group.

Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
Neither the individual nor the cumulated figures of the joint ventures are material therefore no further disclosures are considered to be relevant.

16. Non-current financial assets at fair value and long-term receivables

As at 31 December 2019 Non-current financial assets measured at fair value through OCI and Non-current financial assets measured at fair value through profit or loss were presented in a single line item (Other financial assets) in the Consolidated Balance Sheet. In 2020, the Group acquired government securities and corporate bonds in a significant amount that are measured at fair value through OCI and profit or loss. Therefore, the Group decided to present financial assets measured on different basis on the face of the Consolidated Balance Sheet separately.

16.1. Non-current financial assets at fair value through profit or loss

	31 December 2020 HUFm	31 December 2019 HUFm
Corporate bonds	4,479	-
Other financial instrument (Mycovia)	6,318	5,427
Total	**10,797**	**5,427**

The Group initially recognizes the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option based on IFRS 9. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

On 16 October 2019 Gedeon Richter Plc. and Mycovia Pharmaceuticals Inc. signed a royalty purchase agreement according to which Richter acquires a certain portion of the net turnover of US sales of the future product (for more details pls. see Note 13) for the purchase price of USD 25 million. The amount of purchased royalty right is presented as a financial asset and valued at fair value through profit or loss as of 31 December 2020. The fair value of Mycovia financial assets was HUF 6,318 million at 31 December 2020 and HUF 5,427 million at 31 December 2019.

16.2. Non-current financial assets at fair value through OCI

	31 December 2020 HUFm	31 December 2019 HUFm
Government securities	36,612	-
Investments	1,604	13,603
Total	**38,216**	**13,603**

The Group accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

5% ownership in Protek Holding measured at fair value was sold in 2020. In the beginning of 2020 ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

In 2020 the most significant investment measured at fair value is, a 9.63% ownership in Themis Medicare Ltd., valued at fair value based on the closing stock exchange price. Since there was an increase in the share price, therefore HUF 163 million revaluation gain was recorded against revaluation reserve for securities at FVOCI in 2020. A closing fair value is HUF 1,303 million.

16.3. Long-term receivables

The Group was granted government grant relating to property, plant and equipment and research and development activities. As at the end of 2020 HUF 1,481 million was approved but not financially settled, due over one year as long-term receivables. Current portion of related asset is disclosed in Note 22.1.

	31 December 2020 HUFm	31 December 2019 HUFm
Government grants	1,481	2,837
Total	**1,481**	**2,837**

17. Current income tax and deferred tax

Current tax assets and liabilities

	31 December 2020 HUFm	31 December 2019 HUFm
Current tax assets	1,196	1,199
Current tax liabilities	(1,993)	(382)

Deferred tax is calculated by the balance sheet method based on the temporary differences. Deferred tax assets and liabilities in the Consolidated Balance Sheet are as follows:

	31 December 2020 HUFm	31 December 2019 HUFm
Deferred tax assets	7,139	6,988
Deferred tax liabilities	(1,753)	(1,925)

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

Deferred tax assets	PPE and intangible assets	Provision	Impairment	Other temporary differences	Unrealised profit elimination	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
31 December 2018	**(404)**	**548**	**1,995**	**280**	**5,476**	**7,895**
(Debited)/credited to the income statement	191	(251)	(1,995)	(559)	458	**(2,156)**
(Debited)/credited to other comprehensive income*	-	(11)	-	510	-	**499**
Exchange differences	(5)	10	-	42	-	**47**
Transfer	(4)	(53)	-	760	-	**703**
31 December 2019	**(222)**	**243**	**-**	**1,033**	**5,934**	**6,988**
(Debited)/credited to the income statement	7	11	9	(234)	397	**190**
(Debited)/credited to other comprehensive income*	-	7	-	-	-	**7**
Exchange differences	(6)	9	0	50	-	**53**
Transfer	(69)	1	-	(83)	52	**(99)**
31 December 2020	**(290)**	**271**	**9**	**766**	**6,383**	**7,139**

Deferred tax liabilities	PPE and intangible assets	Provision	Impairment	ESMYA	BEMFOLA	Other temporary differences	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
31 December 2018	**30**	**(1)**	**-**	**2,177**	**5,294**	**(324)**	**7,176**
(Debited)/credited to the income statement	(2,319)	(417)	(199)	(2,226)	(1,541)	(198)	**(6,900)**
(Debited)/credited to other comprehensive income*	-	(4)	-	-	-	886	**882**
Exchange differences	-	-	-	49	-	6	**55**
Transfer	2	50	-	-	-	660	**712**
31 December 2019	**(2,287)**	**(372)**	**(199)**	**-**	**3,753**	**1,030**	**1,925**
(Debited)/credited to the income statement	258	(47)	(11)	-	(175)	198	**223**
(Debited)/credited to other comprehensive income*	-	(163)	-	-	-	(143)	**(306)**
Exchange differences	23	-	-	-	-	(15)	**8**
Transfer	(66)	1	-	-	-	(32)	**(97)**
31 December 2020	**(2,072)**	**(581)**	**(210)**	**-**	**3,578**	**1,038**	**1,753**

* Deferred tax assets and liabilities debited/credited to other comprehensive income was HUF 313 million in 2020 and HUF 383 million in 2019 (gain), out of which accounted through revaluation reserve HUF 143 million in 2020 and HUF 377 million in 2019 (gain, see Note 25) and HUF 163 million in 2020 and HUF 11 million in 2019 (gain) presented through retained earnings.

From the deferred tax balance presented above it is expected that HUF 985 million (in 2019 HUF 1,992 million) of the liabilities and HUF 310 million (in 2019 HUF 154 million) of the assets will reverse after 12 months.

The Parent Company has significant deductible temporary differences, part of which is related to the tax loss carried forward. Deferred tax asset should be recognized for unused tax losses to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised. Despite of the profitable operation of the Company, the tax base is expected to be negative in the next 5 years, considering the tax base adjusting items. On consolidated level there are further taxable temporary differences associated to the Parent Company (related to the BEMFOLA intangible asset) that provides partial recoverability to these deductible temporary differences.

The balance of deferred tax liability decreased due to the following events: from 1 January 2019 the consolidated intangible asset BEMFOLA is recognised as an asset of the Parent Company, because of the restructuring of Finox's activities, and hence its value is determined in HUF (See Note 13). The related deferred tax liability is determined with the tax rate of the parent (9%), while in the previous year it was determined with the tax rate of Finox (10.97%). This amount is partially offset by the deferred tax asset of the Parent Company that was previously not recognized, in the lack of sufficient taxable profit.
As a result of impairment of ESMYA intangible asset, the related deferred tax liability was also derecognized in 2020.

In addition to the Parent Company, there were significant tax loss carried forward at Romanian subsidiaries (in the amount of HUF 7,491 million) on which no deferred tax assets have been recognized as of 31 December 2020. This would have resulted in a deferred tax asset in the amount of HUF 1,199 million. In 2019 the Romanian subsidiaries had HUF 7,474 million unused tax loss (that would have resulted in HUF 1,196 million deferred tax asset).

The expiration of the unrecognised deferred tax asset effect of the tax loss carried forward of the Group is as follows: within 3 years HUF 4,168 million, between 3 and 5 years HUF 1,463 million over 5 years HUF 263 million.

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

18. Loans receivable

	31 December 2020	31 December 2019
	HUFm	HUFm
Loans given to related parties and other investments	1,114	815
Loans given to employees	1,066	1,032
Other loans given	57	174
Total	**2,237**	**2,021**

19. Goodwill

	Goodwill
	HUFm
Cost	
At 1 January 2019	**35,386**
Decrease deriving from sale of subsidiary	(17)
Exchange differences	1,387
Impairment charged for the year	(7,253)
At 31 December 2019	**29,503**
At 1 January 2020	29,503
Exchange differences	1,916
Impairment charged for the year	(21)
At 31 December 2020	**31,398**

The above mentioned impairment was charged in wholesale and retail segment related to Armedica Trading Group.

Closing goodwill on Cash Generating Units (Companies)

	31 December 2020 HUFm	31 December 2019 HUFm
Pharmaceuticals segment		
Gedeon Richter Polska Sp. z o.o.	1,186	1,160
Richter-Helm BioLogics GmbH & Co. KG	116	105
GRMed Company Ltd.	27,388	25,514
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	47	61
Gedeon Richter Mexico, S.A.P.I. de C.V	1,561	1,625
Wholesale and retail segment		
Armedica Trading Group	1,039	977
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**31,398**	**29,503**

Impairment tests of the goodwill are based on the following assumptions:

Gedeon Richter Polska Sp. z o.o.
Gedeon Richter Polska Sp. z o.o. is profitable on consolidated level in 2020. According to its midterm financial plans growth is expected for the following years. As a result of this no impairment was required at the end of financial year of 2020 similar to 2019. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Armedica Trading Group
In 2020, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. We have reviewed the residual value in the evaluation as of 31 December 2020. Since there was not enough information to use the market approach methodology, as in 2019, we applied the income approach used previously.

In 2020 the Group has allocated the goodwill of pharmacies to cash generating units (CGU) and performed a review of goodwill and license impairment. Two CGU groups were defined, and all pharmacies were classified into these two groups based on the pharmacy's EBITDA/net sales ratio for the current year.

Each year, it was assessed whether the pharmacies were classified in the appropriate category. The rating criterion is 3.5% EBITDA/net sales. The Group has determined this criterion by analysis. Together, these pharmacies performing above the EBITDA/sales ratio achieved a break-even point and performance is expected to improve for these pharmacies.

As in previous years, the recoverable amount was measured using the "fair value less cost of disposal" method. Romania continues to be one of the fastest growing pharmaceutical markets among EU Member States. Market performance was determined by a relatively stable regulatory framework in 2020, the COVID-19 epidemic caused fluctuating turnover within a year in each month, but the decline in the first and second quarters was strongly offset by year-end high-traffic periods, so there was no significant impact on the results of pharmacies. In the "fair value less costs to sell" model, we performed future performance evaluations based on historical data as well as realistic market assumptions for the medium and long-term. The Group performed the present value calculation with a 10-year cash flow estimate in accordance with the remaining useful life of the pharmacy licenses.

For the underperforming group, where the expected return is lower than the carrying amount, an impairment loss of HUF 62 million was recognized for goodwill and related pharmacy licenses (see Note 13). In the case of well-performing pharmacies, it was not necessary to account for impairment, a reversal of HUF 19 million was booked.

A sensitivity test was also performed for high-performing pharmacies considering the following parameters: net sales revenue, weighted average cost of capital (WACC) and margin. Ceteris paribus modifying these factors: a 5% decrease in the selling price would require the recognition of an impairment loss for the total amount of goodwill and pharmacy licenses. A 5% decrease in margin and a 5 percentage point increase in cost of capital (WACC) would not require additional impairment to be recognized for the goodwill or license.

GRMed Company Ltd.

GRMed Company Ltd. was acquired in 2013, which transaction supported the Group's stronger presence in China. The realised goodwill has been tested for impairment for the previous years. Considering that the future cash flows from continued use of the assets were considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach.
The Company announced on 22 January 2016 that it acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in Gedeon Richter Rxmidas Joint Venture Co. Ltd. following the setting up of a joint venture with an initial 50% share of equity announced in December 2010. Subsequent to the acquisition, the Company now holds 100% of Gedeon Richter Rxmidas Joint Venture Co. Ltd., consequently is in full charge of its Rx and OTC business in China.
The Group has restructured its operation in China and merged the activity of Gedeon Richter Rxmidas Joint Venture Co. Ltd. to GRMed Company Ltd. As a result of reorganisation (in 2017) of the business and the reporting structure, both of the goodwill presented before the transaction are allocated to the merged GRMed Company Ltd.

The goodwill impairment was tested as of the balance sheet date of 31 December 2020 and it was found that there was no need to account for impairment.
Since the goodwill has been allocated to the traditional products, the Group disregarded the cash flows and assets connected to products launched or planned to be launched after the acquisition when determining the recoverable amount and the carrying value.

The calculations were based on the long-term turnover projection and cost plan adopted by the management, the underlying cash flows of which are expected to reflect market participant assumptions as well. The present value of cash flows beyond this was determined by means of the terminal value formula.

A steady increase in cash flows is envisioned for the projection period (2021-2030) due to the average annual 4.6% growth in turnover.

The recoverable amount determined is based on the assumptions above also requires contribution of certain fixed assets (e.g. machineries) of the Group, the carrying amount of these assets was also considered when the Group compared the carrying amount of the CGU to the recoverable amount.

The present value of the 2021-2030 cash flows and (by applying a conservative estimate of) residual value reckoning with 0% growth is 70% above the tested amount. The book value of goodwill amounts to HUF 27,388 million.

The discount rate (post tax: 6.4%; 2019: 12.2%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
An increase in post-tax discount rate to 10.2% or a 10.3% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

Gedeon Richter Mexico, S.A.P.I. de C.V.

DNA Pharmaceuticals S.A. of Mexico was acquired and involved in consolidation from 2014. The realised goodwill was tested by the Group for impairment as of 31 December 2020 similarly to prior years.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach. The calculations were based on the long-term turnover projection adopted by the management (2021-2030), the underlying cash flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash flows beyond this was determined by means of the terminal value formula without any further growth (conservative estimate).
Since the goodwill has been allocated to the traditional products, the Group disregarded the cash flows and assets connected to products launched or planned to be launched after the acquisition when determining the recoverable amount and the carrying value.

The sales revenue forecast of the traditional products tested within the CGU has not been changed significantly in comparison to the previous period. The largest change regarding the Mexican operations is the inclusion of several new license-in products that are expected to contribute to a better “economies of scale”. Since the goodwill has been allocated to the traditional products, therefore the contribution of these assets to the recoverable amount and the book value of the related assets in the carrying amount of the CGU was ignored. As a consequence the CGU need to bear decreased level of operating expenses.

The recoverable amount determined based on the assumptions above also requires contribution of certain fixed assets (e.g. machineries) of the Group, the carrying amount of these assets was also considered when the Group compared the carrying amount of the CGU to the recoverable amount.

The calculated return is 22% higher than the CGU book value. The present value of the 2021-2030 cash flows represents the 50% of total recoverable amount. The book value of goodwill amounts to HUF 1,561 million.

The discount rate (post tax: 7.1%; in 2019 8.6%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash flow estimates have not been adjusted.
An increase in post-tax discount rate to 8.6% or a 3.7% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

20. Inventories

	31 December 2020 HUFm	31 December 2019 HUFm
Raw materials, packaging and consumables	56,317	51,416
Production in progress	1,884	3,039
Semi-finished and finished goods	51,858	44,540
Total	**110,059**	**98,995**

Inventories include impairment and scrapping in value of HUF 3,858 million and reversal of impairment in value of HUF 1,061 million in 2020 (HUF 8,273 million impairment and scrapping and HUF 1,423 million reversal was made in 2019).
The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.
An additional reason for change in inventories was the increase in imported active ingredients, excipients, purchased finished drugs and our own products as part of our risk reduction strategy in the event of a COVID-19 outbreak.
As of 31 December 2020 the total carrying amount of inventories that are valued at net realisable value amounts to HUF 11,657 million (in 2019 it was HUF 12,435 million).
All items of Inventories are free from liens and charges.

21. Trade receivables

	31 December 2020 HUFm	31 December 2019 HUFm
Trade receivables (3rd parties)	147,897	148,307
Amounts due from related companies and other investments (Note 38)	4,755	6,119
Total	**152,652**	**154,426**

Movements on the Group allowances of trade receivables are as follows:

	2020 HUFm	2019 HUFm
At 1 January	**6,145**	**7,187**
Loss allowances for receivables	406	804
Reversal of impairment for trade receivables	(1,930)	(1,800)
Exchange difference	167	(46)
At 31 December	**4,788**	**6,145**

The reversal of impairment is explained with the financial settlement of overdue receivables.

There was no individually significant impairment loss accounted for customers neither in 2020 nor in 2019.

Impairment of trade receivables

31 December 2020	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,18%	0,64%	0,65%	0,61%	4,30%	95,22%	**3,04%**
Gross carrying amount – trade receivables	138,686	7,654	5,103	654	697	4,646	**157,440**
Loss allowance	248	49	33	4	30	4,424	**4,788**

31 December 2019	Current	1-30 days past due	31-90 days past due	91-180 days past due	181-360 days past due	>360 days past due	Total
Expected loss rate	0,24%	0,44%	1,59%	2,55%	10,86%	95,40%	**3,83%**
Gross carrying amount – trade receivables	139,594	8,479	4,791	1,257	580	5,870	**160,571**
Loss allowance	337	37	76	32	63	5,600	**6,145**

22. Other current assets and contract assets

22.1 Other current asset

	31 December 2020 HUFm	31 December 2019 HUFm
Loans receivable	908	673
Other receivables	7,798	7,315
Subtotal of financial assets (Note 10)	**8,706**	**7,988**
Tax and duties recoverable	7,863	6,078
Advances	6,682	3,979
Prepayments	4,282	3,331
Total	**27,533**	**21,376**

The Group presents approved but not financially settled government grants amount of HUF 3,915 million due within 1 year, relate to acquisition of property, plant and equipment and research and development activities.

22.2 Contract assets

The Group has recognised the following assets related to the contracts with customers based on IFRS 15:

	31 December 2020 HUFm	31 December 2019 HUFm
Current contract assets	3,080	3,466
Total contract assets	**3,080**	**3,466**

23. Current financial assets at fair value

	31 December 2020 HUFm	31 December 2019 HUFm
Government securities*	5,478	-
Other securities- convertible promissory note	1,664	1,545
Total (Note 10)	**7,142**	**1,545**

* Government securities are issued or granted by the Hungarian State.

The Group accounts for the government securities at fair value through OCI model because the business model is hold to collect and sell. The relevant part of the accounting policy can be found in Note 2, paragraph X/D.

Other securities – convertible promissory note to associates that is measured at FVTPL.

24. Cash and cash equivalents

	31 December 2020 HUFm	31 December 2019 HUFm
Bank deposits	141,977	122,401
Cash on hand	91	6,172
Total (Note 10)	**142,068**	**128,573**

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 75%) held by the Parent Company out of which major part is short-term bank deposit and minor part is on demand deposit. It is denominated in EUR, USD, HUF and other currencies as disclosed in more details in Note 10.

Reconciliation to Consolidated Cash Flow Statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	31 December 2020 HUFm	31 December 2019 HUFm
Balances as above	142,068	128,573
Cash and cash equivalents of disposal groups classified as held for sale (Note 39)	194	-
Balances per statement of cash flows	**142,262**	**128,573**

25. Share capital and reserves

	31 December 2020		31 December 2019	
Share capital	Number	HUFm	Number	HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Parent 31 December 2020

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**61,903,445**	**33.33**	**33.22**
State ownership total	9,777,784	5.27	5.25
out of which MNV Zrt.	9,777,658	5.27	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	45,829,116	24.67	24.59
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.03	10.00
out of which Tihanyi Foundation	18,637,486	10.03	10.00
Retail investors	6,296,545	3.39	3.38
International ownership	**123,776,762**	**66.64**	**66.41**
Institutional investors	123,554,744	66.52	66.29
Retail investors	222,018	0.12	0.12
Treasury shares	**631,118**	**0.00**	**0.34**
Undisclosed ownership	**63,535**	**0.03**	**0.03**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), have no voting rights.

Detailed ownership structure of the Parent 31 December 2019

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**64,010,047**	**34.47**	**34.34**
State ownership total	47,052,641	25.34	25.24
out of which MNV Zrt.	28,415,029	15.30	15.24
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.04	10.00
out of which Municipality	126	0.00	0.00
Institutional investors	8,411,253	4.53	4.51
Retail investors	8,546,153	4.60	4.59
International ownership	**121,677,349**	**65.52**	**65.29**
Institutional investors	121,381,988	65.36	65.13
Retail investors	295,361	0.16	0.16
Treasury shares	**674,465**	**0.00**	**0.36**
Undisclosed ownership	**12,999**	**0.01**	**0.01**
Share capital	**186,374,860**	**100.00**	**100.00**

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), have no voting rights.

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

The Group does not have any (ultimate) controlling party. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

Foreign currency translation reserves

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss.
Changes of foreign currency translation reserves are presented in the Consolidated Statement of Changes in Equity.

Revaluation reserve for securities at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 16 and 23), the difference shall be recognized as Revaluation reserve for securities at FVOCI. It shall not be recycled to the Consolidated Income Statement subsequently.

	Revaluation reserves for securities at FVOCI HUFm
At 31 December 2018	**4,810**
Revaluation gross	4,187
Deferred tax effect	(377)
At 31 December 2019	**8,620**
Revaluation gross	136
Current year change in the fair value of derecognised equity instrument	(1,070)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	(6,569)
Deferred tax effect	(143)
At 31 December 2020	**974**

Equity-settled share based payment presented within retained earnings

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

	2020 HUFm	**2019** HUFm
Expense recognized in current year	1,642	1,636
Treasury share given (Note 26)	1,729	1,855
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**(87)**	**(219)**

Parallel to the Equity-settled share based payment program Richter operates cash-settled share based payment program for its senior executives and senior employees through Employee's Share- Ownership Programme (ESOP). The cost of the program was HUF 1,794 million, while in 2019 it was HUF 1,004 million.

26. Treasury shares

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating four share based payment programs, described below in more details. The individual bonuses and the bonus program vest immediately, while the shares granted under the Staff Stock Bonus Plan have a vesting condition of employment at the end of the deposit period also described below. In 2019 and 2020, the Company launched the Employee's Share-Ownership Programme, according to which a worker receives a benefit after the conditions specified in the program have been met.

Bonus program
Richter operates a bonus share program since 1996 to further incentivise managers and key employees of the Company. In 2017, the program was redesigned: the bonus for managers was paid in cash. As a result in 2020, 9,715 shares were granted to 238 key employees of the Company while in 2019 15,327 shares were granted to 281 employees.

Individual bonuses
In 2019 and 2020 no treasury shares were granted to qualified employees as bonuses during the year due to the introduction of the Employee's Share-Ownership Program.

Employee's Share- Ownership Program (ESOP)
In order to strengthen the performance and loyalty of senior executives and senior employees, the Company started Employee's Share- Ownership Programme (ESOP) in 2018.
The Company established the ESOP Organization and approved the ESOP Organization's Remuneration Policy for two years in 2019 and in 2020 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2020, and HUF 1.5 billion in 2019.
Regarding each participant, the Company transferred a certain number of shares to the ESOP Organization, determined by the market value of the transferred shares and the determined amount of the remuneration. The shares can not be disposed until the end of the evaluation period.
The benefit is only vested if the remuneration condition is met. Remuneration condition: the level of the unweighted average consolidated revenues realized in the measurement period shall exceed the consolidated revenues of the comparative period.

Staff Stock Bonus Plan
Pursuant to the program related to employee share bonuses (Staff Stock Bonus Plan 2020), the Company granted 277,947 treasury shares to 4,783 employees in 2020. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2023. In 2019 320,534 shares were granted to 4,484 employees deposited on their accounts until 2 January 2022.

The AGM held on 28 April 2020 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 percent of the registered capital of the Company. Based on this approval, the Company purchased 230,073 treasury shares during the year.

Treasury shares	**2020** Numbers	**2019** Numbers
at 1 January	**674,465**	**389,028**
Out of these, number of shares owned by subsidiaries	*5,500*	*5,550*
Share purchase	230,073	607,752
Transferred as part of bonus program	(9,715)	(15,327)
Individual bonuses	-	-
Granted pursuant to employee share bonuses	(277,947)	(320,534)
Granted repurchased pursuant to employee share bonuses	14,242	13,546
at 31 December	**631,118**	**674,465**
Out of these, number of shares owned by subsidiaries	*5,500*	*5,500*

Book value	**2020** HUFm	**2019** HUFm
at 1 January	**3,870**	**2,186**
Share purchase	1,650	3,539
Transferred as part of bonus program	(58)	(88)
Individual bonuses	-	-
Granted pursuant to employee share bonuses	(1,766)	(1,839)
Granted repurchased pursuant to employee share bonuses	95	72
at 31 December	**3,791**	**3,870**

27. Trade payables

	31 December 2020 HUFm	**31 December 2019** HUFm
Trade payables (3rd parties)	65,337	61,426
Amount due to related companies and other investments (Note 38)	501	344
Total	**65,838**	**61,770**

28. Other payables and accruals and Contract liabilities

28.1 Other payables and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Short-term accruals	11,634	12,993
Other liabilities	7,070	16,829
Dividend payable	156	155
Current lease liabilities	3,802	3,729
Subtotal of financial liabilities (Note 10)	**22,662**	**33,706**
Wages and payroll taxes payable	7,934	6,911
Other taxes	1,666	1,282
Deposits from customers	472	822
Total	**32,734**	**42,721**

28.2 Contract liabilities

	31 December 2020 HUFm	31 December 2019 HUFm
Contract liabilities	772	745
Total	**772**	**745**

29. Provisions

	31 December 2020 HUFm	31 December 2019 HUFm
Other short-term provisions	4,866	3,944
Long-term provisions – for retirement and other long-term benefits*	6,653	4,287
from this defined retirement benefit plans at the Parent	*4,350*	*2,466*
from this defined retirement benefit plans at GR Polska	*858*	*877*
from this defined retirement benefit plans at PregLem	*255*	*230*
from this defined retirement benefit plans at GR Ecuador	*29*	*21*
from this defined retirement benefit plans at GR Bulgaria	*9*	-
Total	**11,519**	**8,231**

* The balance not described in more details below contains jubilee and similar long-term benefits.

At 31 December 2020 Other short-term provisions include provisions created for penalties.

From the defined benefit plans of the Group, it is considered that only the pension plan operated by the Parent Company is significant, therefore further disclosures are provided only related to that. Since the plan is operated in Hungary the benefits and the disclosures below are determined in Hungarian Forint.

Defined retirement benefit plans at the Parent

Actuarial valuation related to retirement benefit plans

According to the Collective Agreement of Gedeon Richter Plc., if the Employee is eligible for an old-age pension or disability care and his/her employment is being terminated for that reason by either parties unilaterally or by mutual consent, or the Employee retire in the end of a fix-term employment contract, the Employer may provide

a) 1 month's absentee pay after an uninterrupted employment relationship of at least 15 years at the Employer
b) 2 months' absentee pay after an uninterrupted employment relationship of at least 30 years at the Employer
c) 3 months' absentee pay after an uninterrupted employment relationship of at least 35 years at the Employer
d) 4 months' absentee pay after an uninterrupted employment relationship of at least 40 years at the Employer

in addition to his/her other emoluments, if the following exclusion does not arise.

As a prior obligatory condition of payment, the Employee shall not engage in any misconduct which may lead to the immediate termination of his/her employment, until the closing of the employment.

For renumerations defined in subsections b)-d) above, the Employee is entitled to an additional absentee pay equal to 45 calendar days, except if the Employee is exempted from work for a longer period.

Provided that the exemption period is longer than 45 days, the entitlement period for the absentee pay (for the "uninterrupted employment relationship at the Employer") determined at subpoints a)-d) shall be reduced by the amount exceeding the 45 days of the exemption period.

The valuation method

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

Any reasonable change in the key assumptions are not expected to result in a significant change in the value of provision therefore a detailed sensitivity analysis is not required for the variables of the valuation model.

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

	2020 HUFm	**2019** HUFm
Opening value of retirement benefit	2,466	1,857
Interest costs (charged to the P&L)	-	3
Current service costs (charged to the P&L)	202	122
Settlement	(158)	(224)
Actuarial loss (charged to the OCI)	1,840	708
Retirement benefit liability	**4,350**	**2,466**

The principal actuarial assumptions were as follows:

The increase in the amount of the underlying benefit reflected long-term risk-free rates.

Discount rate

The discount calculation is made "on the basis of available high-quality corporate bonds or, in the absence thereof, of government securities in the given market."

The applied discount curve was determined on the basis of the reference yields of Hungarian government securities (available on following website www.akk.hu) , using a Nelson-Siegel curve fitting, based on the market yields at the end of 2020. For the purpose of determining the value of the liabilities in 2019 upon maturity an interest rate of 0-2% is used in the first 10 years, 2-3% between years 10-20, 3% over 20 years.

Distribution of probability of resigning in terms of the age of employees and the duration of their employment

Relying on factual data the probability of resigning was estimated on the basis of annual average probability of resigning in groups set up by duration of employment in 2019. In 2020, this method was changed and we used the actual fluctuation rate as per each age-group of employees. The reason for this change was that we experienced stronger correlation between these set of information. Our assumptions are disclosed in the tables below.

Annual average rate of fluctuation used in the calculation for 2020:

Age	Annual average rate of fluctuation
0-25	8.3%
26-30	8.2%
31-35	6.8%
36-40	5.5%
41-45	4.1%
46-50	2.8%
51-55	2.3%
56-60	2.1%
61-	1.9%

Annual average rate of fluctuation used in the calculation for 2019:

Term of employment at Richter	Annual average probability of resigning
Relevant data applied during the actuarial calculation:	
up to 3 years	20.0%
between 3-6 years	10.0%
between 6-10 years	8.0%
between 10-15 years	7.0%
between 16-25 years	5.0%
between 26-35 years	3.0%
over 35 years	2.0%

30. Net debt reconciliation

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

Net debt	31 December 2020	31 December 2019
	HUFm	HUFm
Cash and cash equivalents	142,068	128,573
Cash and cash equivalents of disposal groups classified as held for sale (Note 39)	194	-
Long-term lease liability	(10,754)	(10,296)
Short-term lease liability	(3,802)	(3,729)
Net debt	**127,706**	**114,548**

	Other assets	Liabilities from financing activities		Total
	Cash/bank overdraft HUFm	Short-term lease liability HUFm	Long-term lease liability HUFm	**HUFm**
Net debt as at 1 January 2019	**113,021**	**(2,552)**	**(8,977)**	**101,492**
Changes from financing cash flow	12,353	3,060	-	**15,413**
New lease liability	-	-	(5,514)	**(5,514)**
Effect of foreign exchange changes	3,199	(9)	(33)	**3,157**
Reclassification from long-term to short-term	-	(4,228)	4,228	**-**
Net debt as at 31 December 2019	**128,573**	**(3,729)**	**(10,296)**	**114,548**
Changes from financing cash flow	16,336	3,752	-	**20,088**
New lease liability	-	-	(4,248)	**(4,248)**
Effect of foreign exchange changes	(2,647)	(19)	(16)	**(2,682)**
Reclassification from long-term to short-term	-	(3,806)	3,806	**-**
Net debt as at 31 December 2020	**142,262**	**(3,802)**	**(10,754)**	**127,706**

31. Other non-current liabilities and accruals

	31 December 2020 HUFm	31 December 2019 HUFm
Government grants	6,733	6,685
Other non-current liability	819	1,023
Long-term lease liability	10,754	10,296
Total	**18,306**	**18,004**

Government grants relate to property, plant and equipment and research and development activities.

32. Dividend on ordinary shares

	2020 HUFm	2019 HUFm
Dividend on ordinary shares	11,741	18,637

A dividend of HUF 63 per share (HUF 11,741 million) was declared in respect of the 2019 results, approved at the Company's Annual General Meeting on 28 April 2020 and paid during the year.

33. Agreed capital commitments and expenses related to investments

Data are presented for the Parent Company and the Russian subsidiary since they have the most significant capital expenditure in the Group.

	31 December 2020 HUFm	31 December 2019 HUFm
Contractual capital commitments of Parent	7,312	6,914
Contractual capital commitments of AO Gedeon Richter - RUS	1,212	538
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	34,450	35,387
Capital expenditure that has been authorised by the directors but has not yet been contracted for at AO Gedeon Richter-RUS	1,986	2,511

The above commitments were not recorded either in the Consolidated Income Statement or in the Consolidated Balance Sheet.

34. Operating lease – Group as lessee

In 2019 and in 2020 the Group leases various offices, warehouses, land, parking places, energy systems, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 11 months to 95 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments
Some real estate leases contain variable leasing elements that are related to sales on the business premises. The leasing fee for individual stores includes a fixed part that is payable periodically in each case. If 5% of the net sales revenue of the periodic sales of the business exceeds the fixed part, then the difference is paid in the form of a variable lease payment. The variable payment terms that are not based on an index or a rate are not part of the lease liability. Such variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Consolidated Income Statement includes HUF 1,388 million expenses from short-term, low-value and variable lease payments (in 2019 it was HUF 2,954 million).

35. Guarantees provided by the Group

The Group has not provided directly any guarantees to third parties. Guarantees provided by banks on behalf of the Group are presented in Note 10.

36. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 19.5% until 30 June 2020 and 15.5% from 1 July 2020 and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2020 to the National Tax and Customs Administration by the Group. The Group has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of each country.

The Parent Company contributes 6% of the monthly gross wages (maximum 50% of the current minimum wage) for those employees who decided to participate in the voluntary pension fund. In addition, one-off contribution is made in respect of employees who are reaching the age limit of 55, 57, 59, 61, 63, 65 years in the amount of HUF 50,000. The total cost of the contributions made by the Parent Company was HUF 1,823 million in 2020 (in 2019: HUF 1,705 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 44 million in 2020 and HUF 40 million in 2019.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 1,589 million and HUF 1,718 million in 2020 and 2019, respectively.

The pension contribution paid by the Company and described above are considered as Defined Contribution Plan.

None of the subsidiaries of the Group operate any similar pension schemes.

37. Contingent liabilities

Uncertain tax positions in Romania

From 1 October 2009 the Government approved a debated claw-back regime in the range of 5-12% (aimed at financing the overspending of the national pharmaceutical budget) to be paid to the CNAS by the domestic manufacturers and wholesalers from sales of reimbursed drugs. The Group has similar taxes in other countries which are treated as other expense in the Consolidated Financial Statements.

On 1 October 2011, a new version of Romania's pharmaceutical claw-back mechanism came into force levying direct liabilities for the domestic and foreign manufacturers.

In September 2017, the National Authority of Fiscal Administration („RTA") imposed RON 9.9 million as claw-back contribution for the period Q1-Q3 2011 and RON 10.4 million as interest and penalties to the Romanian wholesale company. The company submitted a Tax challenge with RTA and sent a suspension claim to the court immediately. In

December 2017 the special court in Bucharest (Romania) has approved the claim of Pharmafarm S.A. for suspension of payment for the claw-back. At the end of 2018 the first instance court has decide in favour Pharmafarm S.A., annulling the claw-back decision of RTA, but as part of the verdict, the court ordered the re-execution of the tax audit. As a result of the second investigation, RTA imposed again the RON 9.09 million claw-back tax payment obligation, which Pharmafarm S.A. did not accept and filed a lawsuit. The Bucharest Special Court approved again Pharmafarm S.A.'s application for suspension of claw-back payment until the case was finally closed.
Taking into consideration the opinion of experts, the management of the Parent Company estimates more likely than not that the imposed tax obligation will not have to be paid on the basis of a subsequent final court decision, therefore no provision has been made.

In May 2018, a comprehensive tax audit covering the period from 01.01.2011 to 31.12.2015 was also completed at Gedeon Richter Romania S.A. As a result of the investigation, a tax deficit has been established for a claw-back tax, corporate income tax and VAT. The total value of the established tax shortfall and related interest and fines amount to RON 13.2 million. Although the Company will challenge the decision of the tax authority in court, taking into account the opinions of experts, the management of the Company sees a more than 50% chance that the findings will have to be paid by Gedeon Richter Romania in the future, therefore a provision of RON 13.2 million had been recognised in 2018. Due to the remaining uncetainty in the tax litigation and publication of tax amnesty procedure in Romania with the possibility of cancelation of all interest and penalty fines, the company will pay all its principal debts resulting from the 2018 tax inspections and subsequent measures, in order to mitigate the future risks. Therefore supplimentary tax provision of RON 4.1 million is built up in 2020. From a pure legal perspective, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged after the payment of the principal tax obligations according to the fiscal amnesty procedure.

38. Related party transactions

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

Until 2019 the State Holding Company (MNV Zrt.), as a business organisation had a significant interest over Richter nevertheless the Parent Company had no other transactions with the State Holding Company, than the regular dividend payments. On 19 August 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) – to the property of Maecenas Universitatis Corvini Foundation is closed. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by Hungarian National Asset Management Incorporated (HNMA Inc.) has decreased from 15.25% to 5.25%. Simultaneously the influence (voting rights and ownership ratio) of MUC Foundation increased to 10% in Gedeon Richter Plc.

	2020 HUFm	**2019** HUFm
Dividend paid to MNV Zrt.	1,792	2,847

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

38.1 Related parties

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

	31 December 2020 HUFm	**31 December 2019** HUFm
Loans to associated companies	155	158
Convertible promissory note to associates	1,664	1,545
Trade receivables (joint ventures)	23	195
Trade receivables (associates)	4,713	2,548
Trade payables (joint ventures)	-	53
Trade payables (associates)	9	222
Revenue from joint ventures	376	1,434
Revenue from associates	16,747	17,323

The loans are in Hungarian Forint, all of them are short-term as at 31 December 2020.
Revenues from related parties almost exclusively represents sale of pharmaceutical products. The Group has no open trading commitments with related parties as of 31 December 2020.

According to the Memorandum of Understanding signed on 24 September 2010 with Helm AG, Richter has financing obligations related to costs of projects managed by Richter-Helm BioTec GmbH & Co. KG (joint ventures). In accordance with the request of the management, this funding is provided in the form of capital contribution and the company records these liabilities separately by owners. In 2020 the revenues of the company exceeded the development costs incurred, therefore no further capital contribution payment was required in the financial period.
All related-party transactions were made on an arm's length basis.

38.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2020	**2019**

	HUFm	HUFm
Board of Directors	72	74
Supervisory Board	27	27
Total	**99**	**101**

38.3 Key management compensation

	2020 HUFm	**2019** HUFm
Salaries and other short-term employee benefits	2,300	1,678
Share based payments	920	536
Total short-term compensation	**3,220**	**2,214**
Pension contribution paid by the employer	385	309
Total	**3,605**	**2,523**

From 2018 share based payments were modified due to the introduction of the Employee's Share-Ownership Program, please see further details in Note 26.

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, constituting 56 people.
There were no redundancy payments to key management members neither in 2019 nor in 2020.

39. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

The Parent Company has two subsidiaries in Moldova (I.M. Gedeon Richter-Retea Farmaceutica S.R.L and I.M. Rihpangalpharma S.R.L), The management of the Company decided to sell its investments. The assets and liabilities of these subsidiaries are classified as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale, respectively. The transaction is expected to close in 2021.

	31 December 2020 HUFm
Property, plant and equipment	1,226
Other intangible assets	8
Inventories	2,836
Trade receivables	1,279
Other current assets	245
Cash and cash equivalents	194
Assets classified as held for sale	**5,788**
Other non-current liabilities and accruals	150
Trade payables	1,525
Other payables and accruals	60
Liabilities directly associated with assets classified as held for sale	**1,735**

40. Changes in accounting policy

The amortization period and the amortization method for an intangible asset shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, then amortization calculated for current and future periods shall be adjusted accordingly. Because of the nature of the business and intangible assets, the residual value has been usually determined to be nil. Previously, the amortisation expense of product rights, and other rights related to products are presented in two separate line items in the Income statement:

- Cost of sales
- Sales and marketing expenses.

Beginning from the preparation of the 2020 financial statements, the amortisation of all intangible assets and (other) rights related to products is presented as part of Cost of sales. This reclassification is in line with the way how management evaluates and manages the business. As a consequence, the new accounting policy provides more relevant information and thus increases the quality of the internal and external financial reporting.

The new accounting policy is applied retrospectively and thus the comparative figures are restated. The Cost of sales increased by HUF 5,515 million and the Sales and marketing expenses decreased by the same amount. The change affects only the Income statement. There was no other change in the comparatives.

	2019 HUFm As previously presented	Change HUFm	2019 HUFm Restated
Cost of sales	(224,500)	(5,515)	(230,015)
Gross profit	**283,294**	**(5,515)**	**277,779**
Sales and marketing expenses	(121,819)	5,515	(116,304)
Profit from operations	**39,896**	**-**	**39,896**

41. Notable events in 2020

In late 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020 the virus had spread globally and its negative impact had gained momentum. While this is still an evolving situation at the time of issuing Consolidated Financial Statements, to date there has been no discernible impact on the Group's sales or supply chain, however the future effects cannot be predicted. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

In January 2020, Nedermed B.V. was wound up without a successor.

In February 2020, Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol (E4) and drospirenone. Richter purchased the novel oral contraceptive had developed by Mithra in September 2018.

On 2 March 2020, Richter and WhanIn Pharm. Co., Ltd. announced the signing of an exclusive license and supply agreement to commercialize cariprazine, a novel antipsychotic in South Korea. Richter receives a one-off milestone payment upon signature and will be entitled to further sales-related milestone payments after the product is launched if certain targets are met.

On 13 March 2020, the Company announced, subsequent to its meeting held on 09-12 March 2020 the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review procedure following a recent case of liver injury which led to liver transplantation in a patient taking ESMYA®. PRAC recommends suspension of ulipristal acetate for uterine fibroids during ongoing review of liver injury risk. The PRAC has recommended, as a precautionary measure, that women should stop taking 5-mg ulipristal acetate (ESMYA® and generic medicines) for uterine fibroids while a safety review started this month is ongoing. No new patients should start treatment with these medicines.
The PRAC review of serious liver injury with ulipristal acetate 5 mg had found that it was not possible to identify either patients most at risk of liver injury or measures that could reduce the risk. In September 2020, the PRAC had therefore advised that these medicines should not be marketed in the EU.
In November 2020, the Committee for Medicinal Products for Human Use (CHMP) endorsed the PRAC's assessment of the risk of liver injury. However, it considered that the benefits of ulipristal acetate 5 mg in controlling fibroids may outweigh this risk in women who have no other treatment options. As a result, the CHMP recommended that the medicine remains available to treat premenopausal women who could not have surgery (or for whom surgery had not worked). The CHMP recommendation was forwarded to the European Commission for its decision. The use of ESMYA® had been suspended as a precaution while awaiting the outcome of this review.

On 31 March 2020, Richter and Myovant Sciences GmbH announced that they had signed an exclusive license agreement for Richter to commercialize relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand. Under the terms of the agreement, Myovant shall receive upfront payment upon signature of the agreement and is eligible to receive subsequent regulatory and sales-related milestones.

In accordance with the applicable laws of the Russian Federation, ZAO Firma CV PROTEK, has submitted a voluntary bid to buy back the shares issued by PAO PROTEK at a purchase price of RUB 100 (one hundred) per share. In April 2020, the Board of Directors of Richter has accepted the purchase offer.

On 29 April 2020, Richter announced that it had entered into an asset purchase agreement with Mycenax Biotech Inc. in respect of biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialize the product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property rights, technology know-how and data generated by Mycenax.

On 30 April 2020, Richter-Helm Biologics, the joint venture of Richter and Helm AG, announced that it had entered into an agreement with US based INOVIO to expand its manufacturing partnership in order to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

On 18 June 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held by the Hungarian National Asset Management Inc. (HNMA Inc.) - to the property of Tihanyi Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 15.25%, simultaneously, the influence of Tihanyi Foundation increased to 10%.

In August 2020, Richter and its partner Palette Life Sciences AB announced that they had received National Marketing Authorization in the United Kingdom for LIDBREE. The product is a novel, proprietary thermo gelling intrauterine formulation that can provide significant pain relief during common gynaecological procedures.

On 19 August 2020, the Company announced its shareholders that the transaction of transferring the 18,637,486 Richter common shares - owned by the Hungarian State and held in trust by Maecenas Universitatis Corvini Foundation (MUC Foundation) - to the property of MUC Foundation was closed. As a result of the transaction, the ownership ratio of the Hungarian State in Richter decreased to 5.25%, simultaneously, the influence of MUC Foundation increased to 10%.

In October 2020, Richter announced the signing of 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 receives rights to develop, manufacture and commercialize the product in Japan. Under the terms of the agreement, Mochida shall disburse milestone payments in a number of instalments pending on development and regulatory stages completed.

On 3 December 2020, the Company announced that it has signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra transdermal contraceptive patch assets. Janssen will provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The asset purchase agreement is complemented by a transitional business license agreement and series of other related agreements to run the business without interruption during the period required to transfer marketing authorizations to Richter. The purchased asset transaction was closed on 7 January 2021.

At the end of December 2020, Richter and Estetra S.A, the wholly owned subsidiary of Mithra announced that they have extended their partnership and signed a license and supply agreement for the commercialization of a novel 15 mg estetrol (E4) / 3 mg drospirenone containing combined oral contraceptive, in order to include key markets in Latin America. Under the terms of the agreement Richter will distribute Mithra's product in key markets in Latin America (Mexico, Chile, Colombia, Peru and Ecuador) with an option for other markets except for Brazil and Argentina. Richter and Mithra are currently already partnered for the commercialization of this novel oral contraceptive in Europe and in Russia.

In 2020, Richter took further steps to expand its international business through a capital increase some of in its manufacturing companies and continuing its investments. Driven by the goal of adapting to the Russian economic policy of favouring local production, Richter made supporting investments into the Russian subsidiary a special priority.

42. Events after the date of the balance sheet

On 7 January 2021, Richter announced that the asset purchase transaction related to Evra was closed. Please see further details in Note 41.

On 15 January 2021, the Richter announced that the European Commission had adopted the CHMP opinion on restricting the use of ESMYA®. ESMYA® can now only be used to treat uterine fibroids in premenopausal women for whom surgical procedures (including uterine fibroid embolisation) are not appropriate or have not worked. ESMYA® must not be used for controlling symptoms of uterine fibroids while awaiting surgical treatment. Information on the risk of liver failure (requiring liver transplantation in some cases) will be added to the summary of product characteristics and the package leaflets for ulipristal acetate 5 mg medicines as well as in educational material for doctors and cards for patients.

Management is not aware of other post-balance sheet date events that might be material to the Company's business.

43. Approval of financial statements

Current Consolidated Financial Statements have been approved by the Board of Directors and authorised for release at 10 March 2021.

These Consolidated Financial Statements of the Company were approved for issue by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance. The probability of any potential change required by the AGM is extremely remote.

DISCLOSURES

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that this Management Report, which contains the Group 2020 results is prepared in accordance with the applicable accounting standards and according to the best of our knowledge. The report above provides a true and fair view of the financial position of Gedeon Richter Plc., comprises the subsidiaries included in the consolidation, it presents the major risks and factors of uncertainty and it also contains an explanation of material events and transactions that have taken place during the reported year and their impact on the financial position of Gedeon Richter Plc. and its subsidiaries included in the consolidation.

Gábor Orbán
Chief Executive Officer

CONTACTS OF GEDEON RICHTER PLC.

Addresses

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

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

Investor relations
International Finance Department
Gedeon Richter Plc.
Budapest 10
P.O.Box 27
1475
Hungary

Phone: (36)-1-431-5764
Fax: (36)-1-261-2158
E-mail: investor.relations@richter.hu
www.richter.hu