This Annual Report is based on the Group’s Annual Report, published in accordance with Commission Regulation (EU) 2019/815, XBRL-tagged in XHTML format which is the same as the human-readable version, but do not qualify as the Company's official audited Annual Report.

GEDEON RICHTER PLC.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Table of contents

GEDEON RICHTER PLC.

MANAGEMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Gábor Orbán

Chief Executive Officer

Budapest, 9 March 2022

Gedeon Richter Plc.

Management Report

Table of Contents

I. Chairman's Letter to the Shareholders

It is my pleasure to present Richter's Annual Report for 2021, the second year marked by the global challenge of the COVID-19 pandemic. Richter's proven resilience and the sustained efforts of both our Management and Staff made it possible to successfully navigate through yet another stormy year. When proudly talking about the year when Richter celebrated its 120th anniversary in the pharmaceutical industry. I am pleased to report on further important steps taken both at a strategic and on an operational level.

The challenges imposed by the COVID-19 pandemic and the measures taken by authorities as a response had a most important impact on our business during 2021. With the health and wellbeing of our employees at stake our paramount goal has been their safety and protection while preventing any disruption to the business. I am glad to inform you that the protective measures adopted by our Management were successful during the year under review.

We are in the position to report on noteworthy accomplishments in most of our strategic initiatives.

Cariprazine (VRAYLAR®) has successfully completed a second phase III clinical trial in the USA opening the way, pending on the approval of FDA, to become an atypical antipsychotic effective in the treatment of the full range of spectrum diseases in the USA. In addition our partners have successfully launched the product in a number of markets in the MENA region and Asia. Richter has expanded the scope of co-operation with AbbVie in respect of VRAYLAR® to add the markets of Japan and Taiwan to the previously licensed geographies of USA, Canada and Latin America. Overall proceeds from cariprazine globally exceeded for the first time one fifth of Richter's Pharmaceutical turnover.

Our Women's Healthcare (WHC) portfolio continued be the most important component of our Pharmaceutical business with a sales contribution exceeding one third. Thanks primarily to the acquisition in December 2020 of Janssen's contraceptive patch, EVRA®, including worldwide rights ex USA the growth rate of this franchise surpassed 12 percent. Turnover of BEMFOLA® also showed healthy recovery in 2021 with fertility centres resuming their activities. Successful product launches occurred during the year under review in the EU include DROVELIS®, a licensed-in combined oral contraceptive, containing estetrol (E4) and drospirenone and RYEQO®, (relugolix), aimed towards the treatment of uterine fibroids. A meaningful addition by these two products to our sales levels are expected to begin from 2022 onwards.

Biosimilar operations also reported important achievements during 2021 with the signature of an exclusive licence agreement with Hikma Pharmaceuticals Plc to commercialise Richter's denosumab, comprising two biosimilar products referencing PROLIA® and XGEVA® in the United States. The products are used for the treatment of osteoporosis and fractures due to bone metastasis, respectively and are currently in global phase I and phase III clinical studies. An impressive growth was reported by turnover of teriparatide both in Europe and in Japan with proceeds exceeding by greater than 50 percent the sales levels achieved in 2020.

A slight increase in sales in RUB terms achieved in Russia and a healthy growth in EUR terms reported in Ukraine reveal that in spite of the political turmoil the pharmaceutical market performed without major disruptions during 2021.

In conclusion, taking into account the important strategic developments and the excellent profit of 2021 may I on behalf of the Board record a special recognition and thanks to the Managing Director and his management and supporting team, both at home and abroad.

I also wish to extend my sincere thanks to my colleagues on the Board for their support of the Management by their expertise and wise counsel. I am confident that the Company will continue to create sustainable value for its investors.

Erik Bogsch

Chairman

II. Corporate Review

1. Fact Sheet

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

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

1.1. Parent Company Data

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

1.2. Investor Relations – Contacts

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

2. Member Companies of the Group and Branches of the Parent Company

2.1. Members of the Group

Richter Group companies are classified into the following six categories:

- Richter's headquarters in Hungary, parent company of the Group (including the Budapest, Dorog and Debrecen sites): undertaking research and development, production, sourcing, logistics and coordination of Group level sales.
- Pharmaceutical subsidiaries and joint venture companies: Richter Group has manufacturing facilities in Poland, Romania, Russia, India and Germany. Drugs manufactured in these facilities are marketed globally.
- Trading subsidiaries and offices undertake and support trading and marketing duties in local markets on behalf of the parent company and other Group's companies.
- Wholesale and retail companies active in wholesale and retail receiving marketing support from the parent company or the trading subsidiaries.
- Service companies: established to support R&D, manufacturing, logistics, administrative and other business processes.
- Other units: dormant companies and establishments not directly related to Richter Group's core business.

The members of the Richter Group and the changes related to them are disclosed in Note 16 and 32 of the Group's IFRS Consolidated Financial Statements.

2.2. Domestic Branches of the Parent Company

2510 Dorog, Esztergomi út 27.

4031 Debrecen, Richter Gedeon utca 20.

4031 Debrecen, Kígyóhagyma utca 8.

6720 Szeged, Eötvös utca 6.

7673 Kővágószőlős, 505/2 hrsz.

3. Financial Highlights

3.1. Consolidated Financial Highlights

	2021 HUFm	2020 HUFm	Change %	2021 EURm	2020 EURm
Total revenues	630,595	566,776	11.3	1,758.5	1,614.8
Profit from operations	135,832	115,089	18.0	378.8	327.9
Profit for the year[1]	141,180	106,052	33.1	393.7	302.2

	2021 HUF	2020 HUF	Change %	2021 EUR	2020 EUR
Earnings per share (EPS)[2]	751	563	33.4	2.09	1.60
Dividends per ordinary shares[3]	225	225	00.0	0.63	0.62

	2021	2020	Change
Number of employees at the end of the period	12,262	12,842	-580

Notes:
(1) Includes minority interest.
(2) EPS calculations based on the total number of shares issued.
(3) The amount of 2021 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

3.2. Market Capitalisation (HUF, EUR)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
HUFbn	**1,626**	1,387	1,196	1,012	1,264	1,157	1,025	659	820	675
EURm	**4,407**	3,798	3,617	3,148	4,074	3,721	3,272	2,092	2,761	2,317

3.3. Richter Share Price Information

	Date	HUF
Opening price	04.01.2021	7,350
Closing price	30.12.2021	8,725
Change (%)		18.7
Annual minimum value	05.01.2021	7,345
Annual maximum value	30.03.2021	9,105

4. A Brief History of Richter

At the end of the 19th century, the founder of the Company, Gedeon Richter, made the industrial production of medicines his life's work. In 1901, following a three-year study tour to Western Europe (England, France, Germany and Italy), young pharmacist Gedeon Richter returned to Hungary and obtained a licence for producing pharmaceuticals. He acquired the 'Eagle Pharmacy' on Üllői Road in Budapest which is still run by the Company. In its laboratory he began the manufacture of organotherapeutic medicines. The first product was adrenaline with hypertensive effect made from adrenal gland. In addition, OVARIUM® tablets, made from pig's ovaries and THYREOIDEA®, made from sheep's thyroid glands, became more and more popular. Having outgrown the capacities offered by the small pharmacy a new pharmaceutical factory was built on a site acquired in Kőbánya, Budapest having thus established the first Hungarian plant manufacturing medicines. In 1912 the first product of vegetable origin was launched and in the same year the first synthetic product, KALMOPYRIN® also reached the markets.

Large scale military use of disinfectant HYPEROL® helped Richter to survive the economic disaster of WWI and the subsequent socio-political turmoil. In October 1923 the status of the Company was amended and it became a closed company by shares owned by the Richter family. By the end of the second decade of the century the Company had developed a portfolio comprising nearly one hundred products of traditional organotherapy in addition to about 60 Hormogland products. In the second half of the 30s the development of synthetic drugs was accelerated. With its first representative office opened abroad in 1908 in Milan, Richter paid particular attention to its overseas activities and by the beginning of the 30s it ran a market network in all five continents with supplying pharmacies in about 100 countries. This resulted in Richter becoming the second largest exporting company in Hungary preceding WWII.

The factory suffered significant damages during the siege of Budapest in WWII, but its most deeply felt loss was the killing of its founder, Gedeon Richter on 31 December 1944 by the Nazis. Following the end of WWII, a Planning Office was created to carry out the soviet type centralization of the economic agents and it decided to merge Richter with Wander (later EGIS). While the trade name Richter was banned in Hungary, the Company was allowed to keep using its well introduced brand name on foreign – mostly Communist – markets. High quality research activities recommenced soon and as a result Richter developed vitamin B12 to world standards and achieved a significant share of total world production, as well as of HEPARIN®. MYDETON®, a muscle relaxant with success continuing to this day was launched together with three other original drugs in the same decade of the 50s.

Establishing a sound presence in the Eastern European markets, primarily in the Soviet Union was supported by a dedicated staff and a high quality, reliable and comprehensive product portfolio. Building up exports to the Soviet Union resulted in Richter becoming by the 80s the largest drug supplier to the Soviet market with sales of over a quarter of a billion of Roubles. Steroid chemical research in cooperation with the Pharmaceuticals Research Institute and the Organic Chemistry Research Institute reached competitive international levels during these decades. Two original drugs, steroid antiphlogistic DEPERSOLON® as well as muscle relaxant ARDUAN® marketed also in the USA demonstrated company success achieved in this field. Development of up-to-date pharmacological research played a decisive role in the development of CAVINTON®, a cerebral circulation stimulant which is one of the most successful original products of the Company to date.

A new General manager was appointed in November 1992 in the person of Mr Erik Bogsch to commence the restructuring of the Company's business activities. Streamlining previous businesses of Richter with a new focus concentrated on human drug development, the introduction of a cost sensitive management style, along with a debt settlement and overall financial stabilization have paved the way to a successful business operating in a modern, competitive business environment.

The following two decades have seen a gradually strengthening, mid-sized Pharmaceutical company which once again has placed the Richter brand name on all five continents. The Management team led by Erik Bosch launched a new, clear strategy in 2010 which brought to existence within Richter a Women's Health franchise based on its several decades experience in steroid chemistry. Original research activities were focused down since then to diseases of the Central Nervous System while creating bases for Richter's future successes in the field of biological product development and commercialisation. In early 2000 Richter

scientists discovered cariprazine, a molecule which has developed over the next decade and a half into a most successful atypical antipsychotic sold on all continents by Richter and/or its reputed pharmaceutical business partners.

In 2017 Mr Gábor Orbán was appointed as new CEO of Richter with Mr Bogsch contributing to the development of the Group in the role of Executive Chairman. Richter's strategy has been finetuned since then in order to reflect the dynamic changes occurring in the global pharmaceutical market. An exhaustive presentation of Richter's current strategy is provided in Chapter V of this Management Report.

4.1. Historical Ownership Development, Privatisation

Following an unsuccessful first privatization attempt in 1990, in September 1994 the share capital of Richter was increased by HUF 4.4bn to reach HUF 17.6bn by involving Hungarian and international investors and its shares were listed on the Budapest Stock Exchange. As a result, state ownership declined to 62.5 percent from the previous 86.9 percent. The state privatization connected with a capital increase resulted in an expansion of sources of financing. Two consecutive steps were taken in November 1995 and May 1997 when state ownership declined to 43.6 percent and 25.2 percent, respectively by means of public offerings.

On 11 February 2019 it was announced that of Richter's shares held by the State a packet of 10 percent of the total shares would be transferred to Maecenas Universitatis Corvini Foundation, an entity exclusively owned by the State and set up to operate Corvinus University of Budapest starting from 1 July 2019. In May of 2020 it was announced that another block of Richter's shares held by the State, 10 percent of the total shares, would be transferred to Tihany Foundation. The above share transfers were concluded in August and June of 2020 respectively. The last direct ownership of the State, 5.25 percent was conceded to the public National Foundation for Health and Medical Education. The share transfer was completed on 9 August 2021. The current share structure of the Company is disclosed in Chapter III.5.6 of this Management Report.

4.2. Major Acquisitions Supporting the Expansion of the Company

Through the establishment of greenfield investments from the mid-1990s Richter has expanded its network of manufacturing bases in Russia (1996) and India (2004) and through acquisitions in Romania (1998) and Poland (2002). Acquisitions aimed at a biotechnology company in Germany continued in 2007, and two Swiss companies built around key women's healthcare product candidates /products were acquired in 2010 and 2016. In 2020 Richter expanded the scope of its product portfolio by acquiring a contraceptive patch from Janssen. The transaction was concluded in January 2021.

Richter's three recent, medium sized acquisitions, the purchase of 100 percent of the shares of the Swiss PregLem Group (October 2010) and the buyout of Grünenthal, a German generic pharma company's women's healthcare portfolio (November 2010) enabled the Company to increase its share of the market of innovative women's healthcare products at the same time with geographical expansion of the market of Richter's traditional women's healthcare products. These changes have had strategic importance for the Company. At the end of June 2016 Richter announced the acquisition of Finox Holding, a Swiss based biotech company engaged in the development and commercialisation of innovative and cost-effective products addressing female fertility. Finox Holding's product BEMFOLA® is a recombinant human follicle stimulating hormone (r-hFSH), the first biosimilar r-hFSH product for which marketing authorisation was granted in Europe. Richter has obtained global rights for BEMFOLA® (with the exception of the United States). Consequent to this acquisition Richter added female fertility to its growing specialised Women's Healthcare business, and also managed to enhance its opportunities in the biosimilar market.

In December 2020 Richter entered into 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 agreed to provide post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The asset purchase agreement was complemented by a transitional business licence agreement and a series of other related agreements to run the business without interruption during the period required to transfer marketing authorizations to Richter.

In 2013 Richter took control of selling its traditional products and acquired a majority holding in its Chinese marketing partner. This company is active in the promotion and marketing of prescription drugs. The buyout was completed in 2017 when the last tranche of its holding was paid.

Also, in 2013 Richter started to extend its activities in the Central and South American region by founding a company in Colombia as a first step, complemented by acquisitions in Brazil and Mexico. The acquisition process was concluded in 2015 and resulted in Richter's holding of 100 percent of the shares of Mediplus Group.

As a result of these transactions the Company has managed to establish a direct presence in the world's fastest growing pharmaceutical markets (China and the Latin American region) while it has taken further strategic steps to enhance its geographical penetration. Richter's women's healthcare portfolio plays a prominent role in each of the above mentioned markets.

The companies included in the consolidation and the changes related to them are disclosed in Note 16 and 32 of the Group's IFRS Consolidated Financial Statements.

5. Business Model and Main Strategic Pillars of Richter

With its global business comprising five continents, Richter Group is unique among Central Eastern European pharma companies as its primary activities of the research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. The Group's manufacturing subsidiaries, which operate in our traditional markets, together with our establishment and continuous expansion of a specialized marketing network have created the foundation for a strong multinational Group. As a result of developments that started in the early 1990s, today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.

5.1. Brief Review of Richter's Strategic Pillars

Richter's Management defined new strategic guidelines of the Company in 2010. While reaffirming the previously outlined strategic direction, in 2018 new action plans have been decided. Consequently, the below six strategic pillars have been identified:

Cariprazine

Cariprazine was discovered by Richter scientists in the early 2000s and co-developed with Forest Laboratories (now: AbbVie) until its launch in 2016 in the USA under the trademark, VRAYLAR® with the indications of 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.

Original Research

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. An adjustment to the research concept occurred in 2019 when symptomatic research criteria replaced the previous indication-based approach. Symptoms grouped into three clusters, such as cognitive, negative and positive can be traced back to a number of indications.

Women's Healthcare

One of Richter's most important niche areas is its Women's Healthcare business with unique and long-term experience in this therapeutic field. The Company has consistently utilised its pharmaceutical manufacturing facilities to undertake the required complex and lengthy development processes which result in high quality gynaecological products.

Biosimilar Business

Recognising that biopharmaceuticals (often referred to as 'biologics') have taken a significant share of the global pharmaceutical market in the last two decades, 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) 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 quality control and development laboratories.

Branded Generic and Traditional Products

Contributing to around one half of Richter's pharma revenues, our traditional and branded generic portfolio remains an important cornerstone of our business. We capitalise on our vertically integrated business model, which comprises in-house development and manufacturing of finished form products as well as most of the APIs. This is complemented by the sales and marketing of the entire portfolio.

The Company's strategy is disclosed in detail in Chapter V of this Management Report.

6. Corporate Governance

6.1. Statement on Corporate Governance

Corporate Governance systems and practices implemented by the Company are in accordance both with the Corporate Governance Recommendations set by the Budapest Stock Exchange, the directives of the capital market, the provisions of the Civil Code, the Company's Statutes and with Gedeon Richter Plc's characteristics arising from its line of industry and its structure. In addition, the Company reviews from time to time the principles applied on an ongoing basis, in order to appropriately control the Group's operation in compliance with continuously developing international practices. In this respect, the Company is also considering ESG requirements, which exercise influence on the judgement of corporate governance systems by capital market participants. For matters in which the Company does not apply the Corporate Governance Recommendations of the Budapest Stock Exchange, or does not apply them in their entirety, the yearly prepared Corporate Governance Report provides information. The Corporate Governance Report is deliberated on and approved by the AGM as a separate agenda item, and it is published on the website of the Budapest Stock Exchange (www.bet.hu) as well as on the Company websites (www.gedeonrichter.com).

In the course of 2021, from the regulatory tools listed above the Company did only minimally depart from the Corporate Governance Recommendations in connection with its characteristics arising from its line of industry and its structure.

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 General Meeting, 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.

6.2. Corporate Governance – Systems and Practices

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. The Corporate Governance and Nomination Subcommittee and the Remuneration Subcommittee of the Board of Directors – both of which have existed since 2004 - prepare and submit proposals contributing to the Board's decision-making process on the related fields.

The Board of Directors with respect to the strengthening role of the ESG requirements both on the national and international capital markets in the last few years, also set up an ESG Subcommittee in December 2021.

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 ESG Subcommittee is responsible for monitoring the ESG requirements of the national and international capital markets, the changes in these requirements, and furthermore with respect to the Company's industrial and structural characteristics to initiate motions to the Board of Directors so that the Company comply with the ESG requirements.

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.

The Audit Board is responsible for the supervision of the Company's internal accounting rules. 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.

7. Company's Boards

7.1. Board of Directors

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 Nándor Pál Ács (1968)

University professor, obstetrician, gynaecologist, M.D., Ph.D., Habil. Graduated at Medical School of Semmelweis University in 1992. Board examination in Obstetrics and Gynaecology, General Surgery and Clinical Pharmacology. Second diploma as medical doctor-economist at the Faculty of Economics and Business Administration of University of Szeged in 2002. Working at Semmelweis University from 1992. Currently Vice Dean of the Medical School of Semmelweis University and Director of the Clinic of Obstetrics and Gynaecology of Semmelweis University. Member of the Division of Obstetrics and Gynaecology of Hungarian Health Professional College. Treasurer of the Hungarian Society of Gynaecologists. Supervisory Board member of Hungarian Society of Cervical Pathology and Colposcopy. Member of numerous other Hungarian and international professional organizations, for example member of the Committee of Operative Clinical Sciences of the Hungarian Academy of Sciences, and member both of European Association of Gynaecology and Obstetrics and of International Menopause Society. In 2010 he received Pro Sanitate Award. Member of the Board of Directors of Gedeon Richter Plc since April 15, 2021.

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, then research consultant at the Clinical Neuroendocrinology Branch of NIMH for two years. Senior research fellow and Head of Laboratory from 1993, scientific director between 2002 and 2007 at the National Institute of Psychiatry and Neurology, Hungary. Research professor of the Department of Pharmacology and Pharmacotherapy at the Faculty of Medicine of Semmelweis University in 2007 and 2008. Head of Department of Pharmacodynamics at the Faculty of Pharmacy, Semmelweis University since 2008. Simultaneously, vice rector for scientific affairs at Semmelweis University between 2015 and 2018. Supervisor in numerous Doctoral Schools. Two of his supervised PhD students were granted the Bólyai Research Fellowship, and three of them received the Junior Prima Award in category of science. Member of the Academia Europaea and Board member of the Society of Hungarian Psychopharmacologists, and the Hungarian Society for Experimental and Clinical Pharmacology. Member of three Committees of the Hungarian Academy of Sciences, and formerly, the Expert Committee on Medical Sciences of the Hungarian Accreditation Committee, and the Jury of the Hungarian Research Fund (OTKA). Editorial Board member of highly ranked national and international scientific journals. 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. Member of the Corporate Governance and Nomination Subcommittee of the Board of Directors.

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. Member of the Remuneration Subcommittee of the Board of Directors.

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 (the predecessor of Budapest Stock Exchange). 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). From 1994 to 2004 she worked as attorney at law. Besides she held numerous positions (member of the Central Bank Council of Hungarian National Bank, Chairperson of the Pension Fund Asset Management Co. – National Social Security, member of the Monetary Council of Hungarian National Bank, Chairperson of the Hungarian Investor's Protection Fund). 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. Member of the Corporate Governance and Nomination Subcommittee and the ESG Subcommittee of the Board of Directors.

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. Chairman of the Remuneration Subcommittee of the Board of Directors.

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. Member of the ESG Subcommittee of the Board of Directors.

Dr Anett Pandurics (1973)

Economist. She holds a PhD from Corvinus University in the field of strategic management. From 1998 to 2001 consultant at IFUA Horváth & Partner Ltd. In first quarter of 2001 worked as senior consultant, BPR – project leader at Debis IT Services Ltd. From April, 2001 to 2005 she held the position of Strategic Coordination Director at Magyar Posta Rt. From 2015 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.). President of the Association of Hungarian Insurance Companies since 2013. Member of the Supervisory Board and Audit Board of MOL Plc since 2019. She has been granted numerous awards, including Pro Universitas Prize, Pro Scientia Medal and Muzsay Géza Insurance Award. Member of Gedeon Richter Plc's Board of Directors since April, 2018. Member of the Remuneration Subcommittee of the Board of Directors.

Dr László Szabó (1965)

Medical doctor. Graduated at Medical University, Debrecen, Hungary (DEOEC) in 1990. From 1990 to 1993 he worked as general physician at 1st Department of Surgery at Medical University, Debrecen, Hungary (DEOEC). Medical sales representative from 1993 to 1994. From 1994 to 2010 employed by Eli Lilly in numerous different fields, countries and positions. Vice President of Chinese subsidiary of Eli Lilly and Co. (Indianapolis) in 2010, then until 2014 Chief Executive Officer of TEVA Hungary Ltd. Simultaneously member of the Board of MAGYOSZ (Hungarian Pharmaceutical Manufacturers' Association), furthermore between 2011 and 2014 member of the Investors' Committee of AmCham and of the Economic Committee of University of Debrecen. Member of the Innovation Advisory Board at the Ministry of National Economy between 2012 and 2013. Deputy Minister and Parliamentary State Secretary in the Ministry of Foreign Affairs and Trade of Hungary between 2014 and 2017. From July 2017 to middle of April 2020 Ambassador of Hungary to the United States of America. From the middle of April 2020 Chief Executive Officer and President of the Board of Directors at Mediaworks Hungary Zrt. He was awarded with the Gold Cross Merit of Hungary in 2013. Member of the Board of Directors of Gedeon Richter Plc. since 15 April 2021.

Mr Bálint Szécsényi (1974)

Economist, graduated at the Budapesti University of Economics, Faculty of Finance. Between 1998 and 2000 futures trader, then FX trader. Since 2000 Employed by Equilor Investment Ltd. Corporate Finance Director from 2002 to 2004, Managing Director between 2005 and 2009. Since 2010 Chief Executive Officer at Equilor Investment Ltd. Parallel with his employment 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. Member of the advisory board at Foundation of the Faculty of Corporate Finance at Budapesti Corvinus University, and Vice-President of Budapest Stock Exchange between 2011 and 2015. Member of the Board of Directors since April 2018. Member of the ESG Subcommittee of the Board of Directors.

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. Chairman of the Corporate Governance and Nomination Subcommittee of the Board of Directors.

7.2. 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. Member of the ESG Subcommittee of the Board of Directors.

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 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.

7.3. 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.

Dr Zoltán Matos (1967)

Economist. Graduated at Budapest University of Economics with the specialty of Finance in 1990. Obtained MBA degree at the same university in 1993. Between 1990 and 1994 assistant professor and then part-time instructor at the Department of Management and Organization of Budapest University of Economics. At the same time external consultant at IFUA HORVÁTH & PARTNERS Ltd. Head of Controlling at Stollwerck-Budapest Kft. between 1994 and 1995. From 1995 to 1997 Chief Financial Officer at Brewery Co. Pécs. Between 1997 and 2009 initially Group Head of Controlling, then Group CFO and member of the Board of Directors at E.ON Hungaria Co. Ltd. From September of 2009 to June 2010 president of the Hungarian Energy Office. From November 2010 to March 2013 CFO at MOL Energiakereskedő Zrt., then managing director at MET Services Ltd. from April 2013 to April 2015. Part-time Chief Financial Officer at Olimpia Kerékpár Kft. from October 2014 to August 2018 and also Chief Financial Officer at CYEB Energy Trading Ltd. from May 2015. Honorary professor at Corvinus University of Budapest from 2018. Supervisory Board member of Dunamenti Erőmű Zrt. Member of the Advisory Board of Judit Polgár Chess Foundation. Member of the Supervisory Board and of the Audit Board of Gedeon Richter Plc. since 15 April 2021.

Dr Lívia Pavlik (1969)

Economist, auditor and tax specialist, certified public accountant, Ph.D. Graduated at Budapest University of Economics and Public Administration (Corvinus University Budapest) in 1993. Obtained Ph.D. in 2002. Lecturer of Corvinus University Budapest (BCE) from 1993, initially as assistant lecturer later as assistant professor and associate professor. From 2008 to December 31, 2012 Vice-Dean for economic affairs of Faculty of Business Administration of BCE. Between 2009 and 2014 Faculty Board Member of Faculty of Business Administration of BCE. From April 2014 director for economic affairs of Corvinus University Budapest, then chancellor until the end of September 2020. From October 2020 chancellor of Semmelweis University. From 2018 simultaneously ministerial commissioner of Ministry for Innovation and Technology. Member of the Social Science Committee of the Hungarian Accreditation Board. Licensed trainer of the Hungarian Chamber of Auditors, besides she obtained experiences as certified public accountant. Budapest Corvinus University appreciated her with the title of Professor of the Year in 2011 and University Gold Medal in 2017. Chairperson of the Supervisory Board of Sport Association of Hungarian Universities and Colleges, MOL-PE Circular Economy Science Park Nonprfit Zrt., and Molekuláris-Ujjlenyomat Kutató Közhasznú Nonprofit Kft. Member of the Supervisory Board and of the Audit Board of Gedeon Richter Plc. since 15 April 2021.

Dr Krisztina Gál (1969)

Researcher biologist. Project manager. Graduated at Eötvös Lóránd University of Sciences in 1992. From 1992 to 1999 she worked at the 'Frederic Joliot-Curie' National Research Institute for Radiobiology and Radiohygiene. With Richter from 1999, she has worked in the Research Directorate in numerous different positions (researcher, R&D project leader, project coordinator). From 2015 to 2021 deputy head of Proprietary R&D Department. Head of department from 2021. Since 1999 member of the Trade Union Association of Employees working in the Hungarian Chemical Industry, Energy Industry and Professions of Related Fields (VDSZ). Member of the Supervisory Board of Gedeon Richter Plc. as employee representative since April 15, 2021.

Péter Müller (1981)

Logistic specialist, Lean process developer specialist, ADR advisor, sport manager. Graduated at Semmelweis University Faculty of Physical Education and Sport Sciences in 2004, then graduated with the specialty of logistics at the programme level of business administration at Farkas Heller College in 2007. From 2005 to 2015 material department leader at the Syntetic 1. Plant of Gedeon Richter Plc. in Dorog. From 2015 deputy head of Warehouse Unit. Representative of industrial safety. Between 2014 and 2018 deputy chairman of Gedeon Richter Plc.'s Industrial Safety Committee. Member of the Trade Union Association of Employees Working in the Hungarian Chemical Industry, Energy Industry and Professions of Related Fields (VDSZ) from 2007. Member of Gedeon Richter Plc.'s Works Council. Deputy chairman of Gedeon Richter Plc.'s Works Council from 2018. Member of the Hungarian Company of Logistics, Purchasing and Stockpiling. Projekt leader of Lean Division from 2019. Member of the Supervisory Board of Gedeon Richter Plc. as employee representative since April 15, 2021.

7.4. Changes to Boards During 2021

In the convocation of the annual general meeting of the Company published on March 12, 2021 Gedeon Richter Plc. announced that due to the situation caused by the coronavirus epidemic (COVID-19) and based on the effective laws (in particular Government Decree no. 502/2020 (XI.16.) on the re-introduction of deviating regulations related to the operation of partnerships and capital-concentrating organisations during the state of emergency) the annual general meeting previously set for the day of April 15, 2021 in the corporate action timetable for year 2021, cannot be held by personal attendance.

According to Government Decree no.: 502/2020 in year 2021 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 15 April 2021 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Government Decree no. 502/2020 (XI.16.) – acting in competence of the General Meeting approved

Mr Bálint Szécsényi and

Dr Anett Pandurics

being re-elected as members of the Board of Directors for a three-year period until the 2024 AGM.

On 15 April 2021 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Government Decree no. 502/2020 (XI.16.) – acting in competence of the General Meeting approved

Dr. Nándor Pál Ács and

Dr László Szabó

being elected as members of the Board of Directors for a three-year period until the 2024 AGM.

On 15 April 2021 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Government Decree no. 502/2020 (XI.16.) – acting in competence of the General Meeting approved

Dr. Attila Chikán and

Dr Jonathán Róbert Bedros

being re-elected as members of the Supervisory Board for a three-year period until the 2024 AGM.

On 15 April 2021 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Government Decree no. 502/2020 (XI.16.) – acting in competence of the General Meeting approved

Dr Zoltán Matos

Dr Lívia Pavlik

Dr Krisztina Gál employee representative and

Mr Péter Müller employee representative

being elected as members of the Supervisory Board for a three-year period until the 2024 AGM.

Furthermore on 15 April 2021 the Board of Directors – based upon Subsection (1) 5 and Section 9 of the Government Decree no. 502/2020 (XI.16.) – acting in competence of the General Meeting approved

the re-election of Dr Attila Chikán and

the election of Dr Zoltán Matos and

Dr Lívia Pavlik

as members of the Audit Board for a three-year period until the 2024 AGM.

The membership of Dr Zsolt Harmath, Mrs. Klára Kovácsné Csikós and Dr Éva Kovácsné Kozsda in the Supervisory Board expired on the date of the AGM 2021.

III. Investor Information

1. Investor Relations

The Company reports formally to shareholders four times a year, simultaneously with the announcement of its quarterly non-audited results and issues audited Financial Statements whose relevant data are included in an Annual Report published, no later than the date of the Annual General Meeting. The AGM of the Company takes place in Budapest and formal notification is sent to shareholders at least 30 days in advance of the meeting. At the Meeting a business presentation is made to shareholders by the CEO and all Directors are available during the meeting to respond to questions.

Management, principally the CEO and investor relations staff, maintain a dialogue with institutional shareholders on Company performance and objectives through a programme of conferences, regular meetings, conference calls and investor roadshows.

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

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

2. Conferences, Roadshows, Analysts

Representatives of the Investor Relations Department of Gedeon Richter Plc. participated at 1 online international conference and 2 additional virtual investor roadshows in 2021. Restrictions linked to the COVID-19 pandemic did not allow for in person business meetings during the reported year. Regular conference calls were organised during the year following publication of the quarterly reports of the Company and 23 additional conference calls were organised on request.

Conferences and Investor Roadshows in 2021

Conference		
Daiwa Capital Markets & Warsaw/Prague/BSE	Central & Eastern European Virtual Conference	20 May 2021
Investor Roadshows		
Virtual roadshow via MsTeams		03-05 March 2021
Virtual roadshow via MsTeams		13-18 September 2021

Analysts Providing Regular Coverage about Richter in 2021

AEGON Asset Management	Ms Helena Naffa
Bank of America Merrill Lynch	Ms Victoria Lambert
Concorde Securities Ltd.	Mr Attila Vágó
Equilor Investment Ltd.	Mr Zsolt Bosnyák
Erste Group Bank AG	Ms Vladimíra Urbánková
Jefferies International Ltd.	Mr James Vane-Tempest
KBC Securities Hungarian Branch Office	Mr Norbert Cinkotai
Wood & Company Financial Services, a.s.	Mr Bram Buring

3. Annual General Meeting

The Annual General Meeting is the highest decision-making body of the Company, comprising all shareholders. The Annual General Meeting will be held at **14.00 on 12 April 2022 at Budapest 1093, Mátyás utca 8.**

4. Cash Management

4.1. Cash Allocation

A significant amount of royalties received in respect of VRAYLAR® USA turnover made necessary the elaboration of a more finetuned cash allocation policy than in earlier years.

The Company divides the utilization of its free cash among three major areas:

- M&A

  This aims primarily at the further expansion of the existing gynaecological portfolio. Any acquisition taken into consideration may target either the well served therapeutic areas by introducing more up to date products like in the case of contraception or it may facilitate products on less medicated areas like fertility, endometriosis, uterine fibroids or osteoporosis. It cannot be excluded, however, the acquisition of such biological products / projects which represent a good fit with Richter's biological development programme. A transaction in which Richter purchased from the European subsidiary of Jonson & Johnson -the Ex-USA rights of EVRA® contraceptive patch in the amount of approximately HUF 80bn was concluded in 2021.

- Maintenance CAPEX

  An annual amount of about HUF 35bn is dedicated to ensure a continuously high level of production as well as putting into operation any additional capacities which may become necessary.

- Dividend policy

  The previous practice of a 25 percent dividend payout was replaced in 2018 by a range as approved by the Board of Directors which allows for a flexible adaptation between 25 and 40 percent of the dividend payout ratio to the amount of free cash left after deducting expenses dedicated to M&A and maintenance CAPEX.

4.2. Dividend

In accordance with the dividend policy practised by the Company, the Board of Directors recommends the payment of 30 percent of Gedeon Richter Plc's consolidated profit attributable to owners of the parent calculated according to International Financial Reporting Standards (IFRS) for 2021.

Dividends as approved by the Board of Directors on 15 April 2021 totalled HUF 41,934m in respect of 2020. The portion payable in relation to ordinary shares amounted to HUF 225 per share, 225 percent of the nominal share value.

Payout procedures as decided by the Board of Directors was published in an official announcement on 14 May 2021. The starting date for distributing dividend payments was 14 June 2021.

5. Information Regarding Richter Shares

5.1. Share Structure of the Company

There are no shares in issue that involve special control rights.

Gedeon Richter Plc has no shares whose market trading is not permitted.

There is no restriction regarding the transfer of shares in issue representing the share capital.

The Company is not aware of any agreement between shareholders that would result in restricting shares issued or the transfer of voting rights.

Each share with a face value of HUF 100 entitles the holder to one vote; however, the Statutes restrict the exercise of shareholders' rights by stipulating that at the AGM no shareholder shall exercise voting rights, in their own right or as a proxy of another shareholder, alone or together with other related person(s) in excess of 25 percent of the voting rights represented by the shareholders attending in person or by proxy.

5.2. Shares in Issue

As of 1 January 2021, the number of ordinary shares comprising the Company's subscribed capital was 186,374,860. The number of shares did not change in the course of 2021.

5.3. Share Price Performance

The closing price of shares as of 30 December 2020 was HUF 7,440 compared to HUF 8,725 as of 30 December 2021. Average monthly share prices in 2021 varied between the minimum of HUF 7,861 per share (in January) and the maximum of HUF 8,801 per share (in August).

5.4. Market Capitalisation

The Company's market capitalisation linked to the performance of its share price on the Budapest Stock Exchange at the end of 2021 was HUF 1,626bn reflecting an approximately 17 percent increase in HUF terms when compared to its value recorded on 30 December 2020. Market capitalisation on 30 December 2021 in Euro terms was EUR 4.4bn.

5.5. Treasury Shares

The number of shares held by the Parent company in Treasury declined during 2021.

Shares Held by the Company in Treasury

	Reason of purchase	Number	Nominal value (HUF)	% as of share capital
at 1 January		**135,755**	**13,575,500**	**0.073**
out of which owned by Parent Company		*130,255*	*13,025,500*	*0.07*
Share purchase		101,235	10,123,500	0.054
ESOT repurchased		249,722	24,972,200	0.134
ESOT year-end pay-off				
Share purchase (OTC)	Bonus, Remuneration	3,524	352,400	0.002
Shares of the employees share bonus that have not vested	Programme approved by NTCA*	19,029	1,902,900	0.010
Total share purchased		**373,510**	**37,351,000**	**0.200**
Transferred as part of bonus program		6,980	698,000	0.004
ESOT shares transferred		227,121	22,712,100	0.122
Granted pursuant to employee share bonuses	Programme approved by NTCA*	212,693	21,269,300	0.114
Total utilization		**446,794**	**44,679,400**	**0.240**
at 31 December		**62,471**	**6,247,100**	**0.033**
out of which owned by Parent Company		*59,471*	*5,947,100*	*0.032*

Note:
* National Tax and Customs Administration of Hungary

The total number of Company shares at Group level held in Treasury at 31 December 2021 was 62,471 out of which the Group's subsidiaries held a total of 3,000 ordinary Richter shares.

In accordance with a repurchase obligation related to employee share bonuses, the Company repurchased 19,029 shares from employees who resigned from the Company during 2021.

The Company purchased 101,235 treasury shares on the Budapest Stock Exchange during 2021.

In accordance with the foundation charter and the II. Incentive Policy of the Gedeon Richter Plc Employee's Share-Ownership Trust ('Richter ESOT') 249,722 treasury shares were received during the first quarter 2021 from the ESOT. To expand the III. Remuneration Policy and to comply with the IV. Remuneration Policy, 11,869 and 215,252 treasury shares were transferred to the ESOT.

Based on a decision of the Board of Directors, 6,980 shares held by the Company in treasury were granted in 2021 to employees participating in a bonus share programme and to other employees who rendered outstanding performance.

In 2021 Richter purchased 3,524 treasury shares on the OTC market.

On 27 April 2021 the Company purchased 2,500 Gedeon Richter common shares from its affiliated company Gedeon Richter USA, Inc. The purchased shares were transferred to Gedeon Richter Plc's securities account on 3 May 2021.

In line with a programme related to employee share bonuses, on 20 December 2021 the Company granted a total of 212,693 shares in respect of 4,783 of its employees. The above shares in the value of HUF 1,851m will be deposited at employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 1 January 2024.

On 3 January 2022, following the expiry of the lock-up period the Company was able to remove all restrictions on 320,534 Richter ordinary shares granted to its employees on 17 December 2019, thereby enabling these shares to be traded.

5.6. Ownership Structure

The shareholder structure on 31 December 2021 is presented in detail in the following table:

Ownership	Ordinary shares Number	Voting rights %	Share capital %
Domestic ownership	64,689,461	34.72	34.70
State ownership total	126	0.00	0.00
out of which HNAM Inc.	0	0.00	0.00
out of which Municipality	126	0.00	0.00
Institutional investors	57,190,857	30.70	30.68
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.00	10.00
out of which Mathias Corvinus Collegium Foundation	18,637,486	10.00	10.00
out of which Foundation for National Health and Education of Medical Doctors	9,777,658	5.25	5.25
Retail investors	7,498,478	4.02	4.02
International ownership	121,139,280	65.02	65.00
Institutional investors	120,901,513	64.89	64.87
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	237,767	0.13	0.13
Treasury shares and shares transferred to ESOT*	535,279	0.25	0.29
Undisclosed ownership	10,840	0.01	0.01
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 Organisation.

IV. Chief Executive Officer's Review

The COVID-19 pandemic has dominated world events for the past two years or so and Richter was no exception with impacts felt both operationally and among our people.

Notwithstanding the above our performance in 2021 ensured that we were able to continue delivering value for patients and shareholders as well as for society. In addition to our record financial results, we continued to make progress in all our business segments: our high value-added specialty products continued to increase their share in sales, and we launched novel research and development programmes that are unique in Richter's history.

I am extremely proud of the resilience of our business operations under these difficult market conditions. Richter delivered on its mission also in 2021 ensuring a sustainable supply of high quality and affordable medication for our patients and doctors worldwide.

While the pandemic continues to affect our operations, we remain committed to a steady execution of our specialty pharma strategy in 2021.

As a consequence of the sustained commercial efforts of our US partner AbbVie, VRAYLAR®'s turnover in the USA exceeded USD 1.7bn in the year under review, which resulted in substantial royalty income reported in 2021. Following an established pattern of lower sales in the first quarter, the net sales of VRAYLAR® showed robust growth in subsequent quarters.

In last quarter 2021, the cariprazine phase III study met its primary endpoints in adjunctive treatment for Major Depressive Disorder and we are glad to know that our US partner AbbVie filed an sNDA for VRAYLAR® in February 2022.

I consider it of paramount importance the extension of the existing licensing agreement with AbbVie for the development and commercialization of cariprazine expanding the geographic scope of the co-operation to include Japan and Taiwan. The initial agreement covered the territories of the USA and Canada and was extended in 2019 to include certain countries in Latin America.

Cariprazine was launched in several countries in 2021, 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 made good progress with our biosimilar strategic initiative when achieving impressive growth of our biosimilar teriparatide both in Europe and Japan. In addition, in December 2021 we signed an exclusive licence agreement with Hikma to commercialise Richter's denosumab comprising two biosimilar products referencing PROLIA® and XGEVA® in the United States. The above mentioned products are used for the treatment of osteoporosis and fractures due to one metastasis respectively and are currently in global phase I and phase III clinical studies.

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 our endeavour to pursue the ambition of achieving the market leader position globally by the end of this decade.

I am thrilled with the results achieved in this strategic initiative having registered and launched two important women's healthcare products during the year under review. Following the European Commission approval granted to DROVELIS® the novel combined oral contraceptive containing natural estrogen in May 2021, the product was launched in certain EU markets by the end of the first half of the year under review. In addition, in line with our expectations the marketing authorisation was granted for our novel oral treatment of moderate to severe symptoms of uterine fibroids in July 2021 under the brand name RYEQO® with launches on the first EU markets, having commenced in the second half of the year. The integration of the EVRA® patch into our portfolio is well on track; the market authorisation transfer of the product into Richter's name is currently underway with the process already completed in a number of markets and the remaining ones are expected to take altogether between 6 to 18 months.

Our branded generic and traditional product portfolio have provided a solid basis for the sustained excellent performance achieved in 2021.

Richter Group reported HUF 630,595m consolidated sales in 2021, representing a 11 percent increase when compared with 2020. Cariprazine related revenues amounted to HUF 106,176m in 2021.

Profit for the year was HUF 141,180m in 2021, representing a HUF 35,128m year-on-year increase, I am contented that the Group's main objectives for 2021 were met.

Our solid financial position and the strength of our business model was reflected in our BBB+ credit rating, which we obtained from Scope Ratings in June 2021. We subsequently issued HUF 70bn worth of bonds to lock in favourable funding conditions in preparation for future acquisition opportunities

To achieve our goals, it is essential that our organisational capabilities keep pace with the complexity of the tasks we will have to perform and the challenges we are facing. To this end, we launched three comprehensive programmes in 2021. The structural transition programme is about ensuring that our expertise and infrastructure can keep pace with the changing product portfolio. We are pursuing topics to improve our operational efficiency within the Lean programme, while in the culture and leadership programme, we are running projects to strengthen leadership tools and role perceptions. We must continue to deliver these three programmes on schedule in 2022 if we are to meet our commitments for the coming years.

During 2021 our business planning process was revamped, so we are clearer than ever about the benchmarks we will have to meet throughout this year. It was also in the last year that a process aiming to spread our corporate values and culture speeded up and I would like to thank everyone for the openness with which they welcomed this initiative. In 2022, we will seek to think together as widely as possible about how our organisational culture can best support our common goals in the long term, and what we will need to do to achieve this.

Achieving these important priorities in 2022 will be key to continuing on the path to lay the foundations for Richter's future success and to becoming a mid-size pharmaceutical company of excellence by the end of the decade.

In 2021, we celebrated the 120th anniversary of our Company's foundation, and this year we will commemorate the 150th birthday of our founder, Gedeon Richter. These historic anniversaries are also a reminder of the extraordinary efforts and sacrifices made by our predecessors to ensure the success and survival of the Company. Passing Richter on to future generations as a similarly successful company is a comparable responsibility, and I will continue to rely on the great work by all our employees which has enabled us to achieve excellent results in the challenging period behind us and we could further strengthen Richter's reputation in Hungary and all over the world.

Gábor Orbán

Chief Executive Officer

V. Strategic Review

1. Strategic Targets

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

Aiming to optimise 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, Richter' strategic initiatives have been defined as follows:

2. Strategic Pillars – Brief Summary

Strategic Pillars	Objectives	Stabilization / Growth	Present	Near	Medium	Long	Risk	HUFm
Legacy business								
1. Traditional portfolio	offsetting portfolio erosion	S	*				Low	64,209
2. Branded generics	securing presence in core markets	S	*				Low	133,169
Specialty achievements								
3a. WHC	securing stable turnover (core WHC)	S/G	*	*			Mid-Low	170,074
4a. Cariprazine	securing margins	G	*	*			Mid-Low	106,176
5a. Biosimilar products	securing margins	G	*	*			Mid-Low	31,391
Specialty challenges								
3b. WHC–projects in development	securing growth (non-core WHC)	G		*	*		Mid-High	
4b. Cariprazine label/ geographic coverage	prolongation of high margin business	G		*	*		Mid-High	
5b. Biosimilar products	high-end pharma niche w/ high return	G				*	High	
6. Original research CNS	finding new original candidates	G				*	High	

3. Original Research

3.1. Overview

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

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

In order to adjust our original research activities to the strategic initiatives reshuffled in 2019 we reviewed the potential focus areas of the disorders of the Central Nervous System that we aimed to pursue. In this process the experiences gained during the successful development of cariprazine were also exploited. As a result of the review procedure, which was supported by external consultants, three major areas of NCE research within the CNS therapeutic field were outlined as symptom clusters, namely negative, positive and cognitive. There are a number of different indications related to the above mentioned symptom clusters, which provide a wide range of potential biological targets to pursue. Our aim has been unchanged, that is to meet the unmet medical and social need characterising these therapeutic areas via developing small molecule products.

The preclinical research activities have been reconsidered during 2020 having in mind the productivity and efficiency of the related tasks. Considering our resource limitations in order to accelerate the speed of individual project progresses some of them were terminated having taken into account a modality based (i.e. based on the principles of biological functioning) grouping of biological targets also, which led to a decrease in the total number of projects. The project plans of those which remained in the pipeline have been revised and certain milestones have been adjusted to provide earlier results. These activities ensure that our research of potential drug candidates could perform on biological targets which are in the centre of the scientific and industrial needs.

In the year under review a number of scientific achievements have been made in the preclinical phase of our NCE R&D process, and several results of our basic research have been published in highly esteemed peer reviewed international journals. In addition, we successfully included new biological targets to our research projects, which are characterised as great challenges to be tackled but at the same time representing significant innovative value, and as such these projects could/can meet the expectations of future potential multinational partners. In order to share the high risks characterising the pharmaceutical research projects and further increase our scientific knowledge as well, we are continuously looking for collaboration opportunities, or pursue R&D activity with both domestic and international partners.

Within the Global Medical Division the operating efficiency and organisational structure have been successfully reshaped in order to meet the up to date organisational principles of a large international company and also to adjust to the strategic initiatives. This Division of the Research Directorate together with the Analytical Department of Biological Samples cooperates closely with the Biotechnological Business Unit supporting its ongoing clinical projects.

The advancement of our projects in clinical phases have been set back by the COVID-19 pandemic by a slowing down of the patient enrolment. In addition, the costs related to obligatory extra clinical tests increased to a certain extent.

At the end of 2021, in addition to cariprazine the Company had a research portfolio of 10 ongoing original research projects, one of which is in phase II status and another one which is in phase I, with the remainder in earlier preclinical research and development.

The Company made seven patent applications during the year under review and continued to foster patent prosecutions and maintenances with a primary focus on cariprazine related patents, the latter of which provides exclusive rights in number of countries worldwide.

3.2. R&D Activities Related to the Other Strategic Pillars

The success story of **cariprazine** continued throughout 2021. In order to exploit the full potential of this compound jointly with our partners geographical expansion and the conducting of clinical trials continued during the year under review.

As a result of this effort five marketing authorizations have been granted, and a new partnering agreement was concluded. In addition, seven ongoing clinical trials ensure that we honour our commitments to provide post marketing data in respect of cariprazine and that we can further expand the therapeutic reach of the compound. Experts from Research Directorate contributed substantially to the success of cariprazine related scientific conferences and symposiums held in 2021.

The development of **Women's Healthcare** projects is considered as a paramount objective for the Company, as this part of the portfolio is expected to be one of the key drivers of both top line and bottom line growth in the medium term. In accordance with this aim Research Directorate dedicated significant resources for the development related to synthesis of active pharmaceutical ingredients for oral contraceptives and as a consequence reduce the overall level of their direct costs. It is considered similarly important that technology transfers of late stage licensed in projects has been completed successfully and additionally, the required regulatory procedures were initiated during the year under review, according to previously established timelines. The Global Medical Division contributed substantially to the regulatory procedures and to the support for pre-marketing activities of our innovative women's healthcare products, DROVELIS® and RYEQO® launched in the year under review.

Being committed to both the vertical integration of the Company and also the importance of the domestic product supply, the organisational unit, which is responsible for new chemical syntheses developed the manufacturing processes and scaled up active pharmaceutical ingredients of a number of other women's healthcare products during 2021.

In order to assist the progress of the **branded generic and traditional projects** Research Directorate provided support to active pharmaceutical ingredient development, carried out intellectual property right activities and bioequivalence studies, in the case of the latter with an almost 100 percent success rate. Global Medical Division, as a part of the Research Directorate supported substantially the life cycle management of some of our traditional products.

Please refer to Chapter V. 6 '**Biosimilar Business**' for further information related to biosimilar R&D activities.

4. Cariprazine

4.1. Overview

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

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

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

4.2. Indication Expansion

In line with our aim to exploit the full medical and commercial potential of cariprazine, we are conducting two phase III clinical trials in the USA jointly with our partner AbbVie, to determine efficacy, safety and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD). We have a positive phase IIb study already in hand. In the third quarter 2021 together with AbbVie we announced positive top line results of the above mentioned two phase III clinical trials. Following the process of evaluating the clinical data our partner is expected to initiate the filing of dossier in respect of this new indication.

4.3. Geographic Coverage

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

agreement with WhanIn Pharm. Co., Ltd. for the commercialisation of cariprazine in the South Korean market in 2020.

In the second quarter of 2021 together with our US partner, AbbVie we jointly announced that the two companies expanded the geographic scope of their cooperation to include Japan and Taiwan. In addition our US partner initiated the registration procedure of cariprazine in Canada.

Recent Developments

Europe

REAGILA® was launched earlier with reimbursement by Richter in the following countries of the Central and Eastern European region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia. With effect from 1 November 2021 REAGILA® was included on the reimbursement list in Poland and from 1 January 2022 in Estonia.

The product had been on the market previously in Romania and in Lithuania and was launched in Croatia in the last quarter 2021 without reimbursement.

In the WEU region REAGILA® was launched with reimbursement in Greece during the third quarter. There are now 12 markets in Western Europe where the product is commercialised by Recordati with reimbursement. In addition, the product had already been on the market in Belgium and Austria without reimbursement.

Europe – Countries outside the European Region

The product received reimbursement in Serbia during the reported year and therefore it is now being marketed by Richter with reimbursement in both Montenegro and Serbia.

REAGILA® was earlier launched by Recordati with reimbursement in Switzerland and Norway.

By the end of 2021 REAGILA® was registered by Recordati in Turkey in schizophrenia indication.

CIS

In Russia REAGILA® was included on the Essential Drug List (EDL) and it is available with reimbursement to patients suffering from schizophrenia, bipolar mania and bipolar depression. In the CIS region the product had been earlier launched in Azerbaijan, Belarus, Georgia, Kazakhstan, Moldavia, Russia, Ukraine and Uzbekistan.

Other Markets

In the last quarter REAGILA® was registered in Vietnam by Richter for patients suffering from schizophrenia.

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

With effect from 1 September 2021 cariprazine is available with reimbursement to Australian patients with a schizophrenia indication, marketed by Richter's Australian partner Seqirus.

Following previous successful registration REAGILA® was already on the market in Israel in the indication of schizophrenia being in November 2021 registered for bipolar mania and depression marketed by Dexcel Pharma.

In the reported period REAGILA® was registered in Qatar by Hikma. The product is already on the market in Egypt, Jordan and Saudi Arabia and registered in the United Arab Emirates. Further regulatory activities are ongoing in several MENA countries.

Mitsubishi Tanabe Pharma Corporation commercialises cariprazine in Malaysia, Singapore and Thailand while market authorisation was granted in Indonesia.

Altogether by the end of 2021 cariprazine was available in 47 countries globally including the USA and Hungary, with reimbursement in most of those countries where a reimbursement system is in place.

The most outstanding success for both Richter and the Hungarian pharmaceutical industry has been the successful product development and launch of cariprazine. The product achieved its blockbuster status already in 2020 and with continued sales growth recorded in 2021 the reported turnover was USD 1.7bn in the US market. The total turnover of cariprazine in 2021 amounted to HUF 106,176m.

5. Women's Healthcare

5.1. Overview

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

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

5.2. Portfolio Expansion

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

5.3. Geographic Coverage

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

Main Projects

Female Contraception

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

DROVELIS® a Novel OC Licenced-in from Mithra

To further diversify the range of contraceptives to women an agreement was signed with Mithra Pharmaceuticals in 2018 to commercialise a combined oral contraceptive, containing estetrol and drospirenone. The product is considered to be a novel oral contraceptive with natural, native estrogen acting selectively in tissues combined with additional benefits of drospirenone. The geographic scope of the agreement covered Europe, Russia and other CIS countries. In February 2020 EMA commenced its evaluation of Richter's marketing authorisation application and following the closing of the reported year, in March 2021 CHMP issued a positive opinion which was endorsed by EMA in May 2021 granting MAA to the product. Subsequently the product was launched at the end of the second quarter 2021 being first available on the German, Austrian, Hungarian, Polish, Belgian and Slovak markets. The forthcoming periods will see the product launched in the other markets covered by the contract.

In December 2020 Richter and Estetra S.A, the wholly owned subsidiary of Mithra have extended their partnership and signed a licence and supply agreement for the commercialisation of the same novel OC to include key markets in Latin America. Preparations to apply for Latin American registrations have been carried out through 2021.

EVRA® Contraceptive Patch

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

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

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

The market authorisation transfer of the product in Richter's name has been currently underway with the process already completed in a number of markets and the remaining ones are expected to take altogether between 6 to 18 months. Priority is being given to large EU markets. Intermediate arrangements ensure that product sales remain unaffected by the transaction during the above timeframe required for the transfer.

Total turnover achieved by this product in 2021 amounted to HUF 13,512m.

OCs Portfolio Acquired from Grünenthal

The purchase in 2010 of Grünenthal's well-established oral contraceptive franchise boosted both our existing gynaecological sales and also created a platform for establishing a Women's Healthcare sales network in Western Europe. Sales of this product group consisting of six brands recorded HUF 14,288m during 2021.

Contraceptive Ring (IUS) LEVOSERT®

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

Product registration for EU markets in respect of a novel, more comfortable version of the product allowing for one handed insertion (SHI) has been underway. First launches already took place in a number of European markets at the end of 2021.

Total turnover achieved by this product in 2021 amounted to HUF 2,440m.

Cooperation with Pantarhei for the Development of a Combined, Novel OC

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

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

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

Uterine Fibroids and Endometriosis

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

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

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

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

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

RYEQO® (RELUGOLIX)

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

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

In line with Richter's expectations the MAA was granted in July 2021 under the brand name RYEQO® with launches on the first EU markets, including Hungary having commenced in the second half of the year.

Richter keeps working and holds ongoing negotiations with different Authorities in order to expand the availability of the product to more and more markets. We expect to have the product launched on all European key markets by the end of 2022 to treat uterine fibroids.

Subsequent to the successful completion of phase III SPIRIT 2 and SPIRIT 1 studies in women with pain associated with endometriosis we analysed available data and prepared them the MAA filing process.

Female Fertility

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

BEMFOLA®

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

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

Sales of BEMFOLA® recorded during 2021 amounted to HUF 19,629m.

CYCLOGEST®

The Fertility portfolio was further expanded in 2018 when Richter agreed with L.D. Collins & Co. Limited, a UK based company, to commercialise its progesterone containing assisted reproduction technology (ART) product, CYCLOGEST® in 27 EU member states. In 2019 the agreement was extended to Australia and New Zealand. Beside the regulation of ovulation and menstruation, progesterone is essential in establishing and maintaining early pregnancy. CYCLOGEST® pessaries contain 400mg of progesterone, a naturally occurring progestogen. CYCLOGEST® prepares the lining of the uterus (endometrium) to be as receptive as possible to the embryo and therefore it is critical to support the luteal phase as part of ART.

The product has been launched on most EU markets during 2021. Total sales recorded by this product in 2021 was HUF 2,774m. The product is currently under registration in Australia to be followed by New Zealand.

AYOLA®

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

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

AYOLA® is a smart, self-inserted vaginal ring that continuously measures a woman's core body temperature to detect subtle changes that occur prior to ovulation as an aid in detecting the fertile window. An alert is sent to her smart phone when she is most fertile through the accompanying AYOLA® app. By continuously and passively measuring core body temperature, Prima-Temp's smart technology powered by its

proprietary algorithm provides a convenient and precise means for identifying the fertile window. The ring does not contain any active ingredient but a temperature measurement sensor.

The device is currently undergoing real life testing in Hungary with market launch expected to occur by the end of 2023.

Gynaecological Infections

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

VT-1161, oteseconazole

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

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

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

Hormone Replacement Therapy

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

LENZETTO®

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

Turnover of LENZETTO® during 2021 amounted to HUF 3,839m.

VAGIRUX® / REWELLFEM®

Richter concluded an agreement with Germany based Helm AG in 2017 aiming towards the development of a generic product to VAGIFEM® owned by Novo Nordisk. VAGIFEM® is a unique vaginal tablet containing estradiol and it includes a device for its application. Having successfully completed a complex development process Richter's portfolio for addressing menopause symptoms now includes a product offering local therapy for women suffering of vaginal dryness resulting as a consequence to the menopause.

Under the terms of the contract Richter obtained exclusive commercial rights for Europe less Scandinavia and the UK, where such rights are semi-exclusive.

The product has been launched in a number of countries during 2020 and 2021 under the brand name VAGIRUX® / REWELLFEM®. Turnover recorded in respect of this product in 2021 amounted to HUF 757m.

Other Women's Healthcare Products

LIDBREE®

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

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

The agreement covers Europe, Latin America and certain other markets. The registration dossier was submitted to the EMA in the last quarter of 2018. As part of a decentralised registration procedure the product obtained national marketing approvals in all European target markets.

First market launches are expected to take place in the first quarter 2022.

PAPILOCARE®

PAPILOCARE® is a medical device aiming to the prevention and adjunctive treatment of alterations of the cervix caused by containing natural ingredients. The product complements Richter's wide range Women's healthcare portfolio in an area with limited therapeutic solutions available.

Under the terms of the licence agreement concluded with Spain based ProCare Health, S. L. in 2018 Richter is entitled to commercialise the product in Central and Eastern Europe and Austria. These geographies were extended in 2020 to include Russia and Ukraine.

Turnover recorded by PAPILOCARE® in 2021 in Central Eastern Europe and Austria amounted to HUF 1,252m. Launch in Ukraine is expected to take place in the first quarter 2022, in Russia the registration process is currently underway.

6. Biosimilar Business

6.1. Overview

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

By competing with original biologics across a growing range of therapy areas, biosimilars enable stakeholders – including payers, physicians and patients – to benefit from greater choice when it comes to treatment options. A large and diverse group of around 180 manufacturers globally are investing in the development and commercialisation of biosimilars, bringing with this investment the promise of high-quality biologic therapies at a lower cost.

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

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

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

6.2. Main Indication Areas – Osteoporosis, Rheumatology

TERROSA®, Teriparatide

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

Following the launch of Gedeon Richter's teriparatide biosimilar in 2019, the first biosimilar teriparatide available on the global market, sales and global reach of the product has grown steadily. The biosimilar teriparatide has been developed by Richter-Helm BioTec GmbH & Co. KG, Richter's joint venture company. The product, TERROSA®, approved in adults for the same indications as Eli Lilly's FORSTEO®, has been launched via Richter affiliates in Europe and via further commercial partners in Europe and in multiple markets globally (under different brand names), including South Korea, Canada and Israel and further regulatory marketing approval processes are ongoing in various Latin American, Asian and MENA countries. Furthermore, in cooperation with Mochida Pharmaceuticals the product was licensed out for commercialisation in Japan, where it was launched in late 2019, becoming the largest single country market in terms of volume for Richter's biosimilar teriparatide.

The product has also been licensed to and launched in Europe by STADA under the brand name MOVYMIA®.

Sales have grown steadily, despite the COVID-19 pandemic, which did somewhat disrupt growth in sales. Total sales proceeds from teriparatide amounted to HUF 13,186m in 2021. Sales proceeds from Japan

contributed HUF 3,560m representing 27 percent of total sales achieved by the product. We expect continued growth in sales in the coming years, with further gains in market share and launches into further geographies.

Denosumab, Tocilizumab

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

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

The denosumab development has entered its clinical phase of development in 2021, covering both a phase I study and a global phase III programme including clinical sites in the US. CMC development has in essence been completed and validation of manufacturing at commercial scale for both DS and DP has begun.

In December 2021 Richter and Hikma Pharmaceuticals Plc. have entered into an exclusive licence agreement to commercialise Richter's denosumab, comprising two biosimilar products referencing PROLIA® and XGEVA® in the United States.

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

The tocilizumab biosimilar development follows the acquisition in April 2020 of such an asset from the Taiwanese company Mycenax, its technology development programme is close to completion in 2021, with validation of commercial scale DS and DP production expected to start in 2022. In October 2020 Richter entered into a licence agreement with Mochida Pharmaceutical Co. 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. A clinical development programme, meeting PMDA and EMA requirements is to be started in 2022, covering both phase I and phase III studies. This programme is run as a co-development programme with Mochida Pharmaceutical Co.

6.3. Biosimilar Manufacturing and Capital Expenditure

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

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

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

In order to maximise capacities a number of contract development and manufacturing (CDMO) projects are ongoing with numerous partners for DS and DP production needs alike.

6.4. Therapeutic Protein Development for COVID-19

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

Additional information on further therapies developed by Richter against COVID-19 pandemic can be found in Chapter X. 2.

7. Branded Generic and Traditional Products

7.1. Overview

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

Approximately 39 percent of core Pharmaceutical sales originate from this product group and the strategic aim of this pillar is to ensure critical mass of turnover and sustained margins for the Group's operations across its geographies.

7.2. Portfolio Expansion

While in-house development remains an important source of new product launches, licensing-in has gained momentum in maintaining our legacy portfolio.

Two new products were licensed-in during 2021 keeping the total number of distributed licensed-in generic products around the level of fifteen.

Notwithstanding the above, development of branded generic products also continued during 2021. Two own developed product launches occurred in the EU during the year under review, while in addition, a licensed-in product was also introduced on the same market. Development activities also include successfully completed bioequivalence studies in respect of a number of generic products targeting the EU and the CIS markets. Non-steroid generic development activities have been carried out almost exclusively at the Group's two manufacturing subsidiaries: Gedeon Richter Romania and Gedeon Richter Polska.

A number of marketed products which belong to this portfolio have been targeted for LCM (life cycle management) projects.

As a response to the challenges posed by the COVID-19 pandemic Richter initiated in the past two years a number of programmes to address them. For further details please see Chapter X.2 on COVID-19 crisis management and therapeutic developments.

Main Licencing-in Partners of Richter

Company	Country	Therapeutic area
Acrux	Australia	Women's healthcare, hormone replacement therapy (spray)
AbbVie / Allergan	USA / Ireland	Gastrointestinal, Urology, Women's healthcare, Central nervous system
Almirall Prodesfarma	Spain	Non-steroid antiinflammatory
Astellas	Japan	Antibiotic
Evestra	USA	Women's healthcare, contraceptive (ring)
Helm AG	Germany	Oncology, Women's healthcare, Urology, Central nervous system, antipsychotic, antiepileptic, Osteoporosis
Hikma	Jordan	Central nervous system, antipsychotic, osteoporosis
Janssen	Belgium	Central nervous system, Antifungal, Antibacterial
L.D. Collins	United Kingdom	Women's Healthcare, fertility
Medinova	Switzerland	Women's healthcare, gynaecological infections
Mithra	Belgium	Women's healthcare, oral contraceptive, hormone replacement
Mitsubishi-Tanabe Pharma Corporation	Japan	Central nervous system, antipsychotic
Mochida	Japan	Osteoporosis, Rheumatology
Pantarhei	Netherlands	Women's healthcare, oral contraceptive
Palette Life Sciences AB (Pharmanest AB)	Sweden	Women's healthcare, topical analgesic (gel)
Prima Temp	USA	Women's healthcare, infertility
ProStrakan, Kyowa Kirin	United Kingdom	Oncology
Recordati S.p.A	Italy	Central nervous system, antipsychotic
Sanofi-Aventis	France	Antibiotic
Teva / Medis	Iceland	Cardiovascular, Urology
Procare Health	Spain	Women's healthcare, HPV
Mycovia Pharmaceuticals	USA	Women's healthcare, vaginal infections
Myovant Sciences	Switzerland	Women's healthcare, uterine fibroids, endometriosis

VI. Business Review

1. Economic Environment

1.1. Overview

During the year in review the global economy continued to recover despite new pandemic waves. The fault lines opened up by COVID-19 look more persistent, however, near-term divergences are expected to leave lasting imprints on medium-term performance. Principal drivers of the gaps have been vaccine access and early policy support. Policy choices have become more difficult, confronting multidimensional challenges, notably subdued employment growth, rising inflation, food insecurity, a setback to human capital accumulation, and climate change, leaving limited room to manoeuvre.

Based on preliminary data global economy is projected to grow 5.9 percent in 2021.

Worsening pandemic dynamics resulted in a downward revision for 2021 reflecting a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries. This was partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Employment was generally expected to lag the recovery in output. Advanced economy output is forecast to exceed pre-pandemic medium-term projections—largely reflecting sizable anticipated further policy support in the United States that includes measures to increase potential. By contrast, persistent output losses are anticipated for the emerging market and developing economy group due to slower vaccine rollouts and generally less policy support compared to advanced economies.

Headline inflation rates have increased rapidly in the United States and in some emerging markets and developing economies.

In most cases, rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago. Price pressures are expected to subside in 2022. In some emerging market and developing economies, price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods. However, great uncertainty surrounds inflation prospects, primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

As far as the reported year is concerned headline inflation peaked in the final months of the year. Given, however, the recovery's uncharted nature, considerable uncertainty remains, and inflation in the near term could exceed forecasts for a variety of reasons. Clear communication, combined with appropriate monetary and fiscal policies, can help prevent 'inflation scares' from unhinging inflation expectations.

2. Industry Environment

2.1. Overview

The coronavirus pandemic continues to raise several questions about the future. Variant strains continue to spread and, as a result, experts remain unsure about the potential for another spike.

What's less debatable is the reliance that those in healthcare, including the pharmaceutical industry, will have on data collection and analytics when attempting to identify issues in the marketplace and predicting trends. With more successful approaches to data connections, industry professionals will uncover opportunities with greater insights to make more informed and confident decisions.

Diagnosis Claims and Prescription Demand: The Significance of Telehealth

Demand versus supply begins with diagnosis claims and the prescriptions they produce. Diagnosis claims, of course, begin with office visits. In 2020 in the USA, there were one billion fewer patient visits than the industry would normally expect, a 21 percent decline. Big gaps in oncology, gastroenterology, and dermatology were especially notable. Drops in oncology visits are particularly troubling when considering missed diagnoses.

During the pandemic, the use of telehealth for primary care has grown to 35 million visits in the leading pharmaceutical market, peaking in April 2021 at 18 percent of claims and representing 11 percent of total claims by the end of the year. Still, telehealth health does not generate as many prescriptions because:

- There is less time spent face-to-face
- There are no 'onsite' labs or recording of vitals to assist diagnoses
- There is reluctance to generate new therapies.

Aside from COVID-19 drugs 37 percent of all product launches were in oncology, with the next biggest splash being the central nervous system and infectious diseases, both at 10 percent. Diabetes added a further 5 percent to the above.

Looking beyond 2021, there is reason to believe numbers for diagnosis claims will improve, but the expectation is that the numbers will remain approximately 12 percent less than a 'normal' year as telehealth finds its proper place in the alignment of traditional services ongoing.

Flat Line on Cold and Flu Season: Impact on Prescriptions Throughout the Continuum

The financial effects of COVID-19 are most evident today. There have been approximately 111 million fewer prescriptions written than is typical, which can be traced to the lack of a cough-and-cold flu season. Paediatricians themselves are down almost 50 percent of normal prescription expectations. Children simply haven't been sick because fewer are attending schools or other care settings, and those who are in attendance are wearing masks and probably washing hands more frequently.

From the retail 'patient' perspective, there were 106 million 'seen' in January 2020 before that number dropped to about 92 million in April and May. A bounce-back occurred in the fall thanks to flu vaccinations while recently, the COVID-19 vaccines have increased traffic in retail pharmacies. Overall, acute prescriptions have seen significant declines because of the lack of physician visits during lockdowns and the absences of the flu season. However, most 'maintenance prescriptions' and refill prescriptions have trended above 2020 and 2019 throughout 2021.

Retail acute prescription volume was at 2021 year-end above where it had been in the previous two years because of the vaccines, but it is traditionally cough, cold, and flu that should contribute to most acute prescriptions. Acute prescriptions are also less likely to be delivered via mail ordering, and the retail mail category is now stronger than non-retail. Expanding on channels of distribution, the most favourable trend on the retail side has been food markets, where one-stop shopping is now the norm, while mass merchandisers have trended down the most.

Prescription categories that are down include pain, as more focus is placed on controlled substances, and antibacterial in absence of flu. Growth has been seen in drugs for hypertension, mental health, lipid regulation, diabetes, respiratory, and anticoagulants — in many cases due to the 'other' health complications brought on by the pandemic.

3. Consolidated Sales

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
Hungary	44,377	41,891	2,486	5.9	123.7	119.3
Europe*	263,442	227,533	35,909	15.8	734.7	648.3
CEE	182,955	157,058	25,897	16.5	510.2	447.5
WEU	80,487	70,475	10,012	14.2	224.5	200.8
CIS	135,346	139,615	-4,269	-3.1	377.4	397.8
Russia	85,086	85,844	-758	-0.9	237.2	244.6
Ukraine	14,523	13,161	1,362	10.3	40.5	37.5
Other CIS	35,737	40,610	-4,873	-12.0	99.7	115.7
USA	122,991	108,509	14,482	13.3	343.0	309.2
China	15,593	10,764	4,829	44.9	43.5	30.7
Latin America	17,602	10,999	6,603	60.0	49.1	31.3
RoW	31,244	27,465	3,779	13.8	87.1	78.2
Total	630,595	566,776	63,819	11.3	1,758.5	1,614.8

Note:
* Excluding Hungary

4. Sales of Pharmaceutical Business Segment

	HUFm				Notes	EURm	
	2021	2020	Change			2021	2020
	12 months to December			%		12 months to December	
Hungary	43,612	41,086	2,526	6.1	6)	121.6	117.0
Europe*	151,673	136,848	14,825	10.8	7)	423.0	389.9
CEE	71,208	66,422	4,786	7.2		198.6	189.2
WEU	80,465	70,426	10,039	14.3		224.4	200.7
CIS	126,137	124,914	1,223	1.0	8)	351.7	355.9
Russia	85,086	85,844	-758	-0.9		237.2	244.6
Ukraine	14,447	13,097	1,350	10.3		40.3	37.3
Other CIS	26,604	25,973	631	2.4		74.2	74.0
USA	122,991	108,509	14,482	13.3	9)	343.0	309.2
China	15,593	10,764	4,829	44.9	10)	43.5	30.7
Latin America	13,799	7,694	6,105	79.3	11)	38.5	21.9
RoW	31,214	27,449	3,765	13.7	12)	87.0	78.2
Total	505,019	457,264	47,755	10.4		1,408.3	1,302.8

Note:
* Excluding Hungary

5. Notes to Pharmaceutical Sales

6) Hungary

The underlying market increased by 7.3 percent while retail sales of Richter products increased at a slower rate of 2.4 percent according to the latest available IQVIA (successor of IMS) data. The Company is now ranked No. 4 amongst players in the Hungarian pharmaceutical market with a market share of 4.4 percent. Taking into account the prescription drugs retail market alone, Richter qualifies for second place with a market share of 7.3 percent.

7) Europe

The **Central and Eastern European** region sales represented 47 percent of total European sales of the Group's pharmaceutical segment.

Turnover recorded in **Poland** increased by 3.0 percent in HUF terms. Royalty income of EVRA® and higher sales levels of oral contraceptives more than offset lower sales levels of our antiviral product, GROPRINOSIN.

Higher sales of some well-established branded generic products together with good performance of OCs have contributed the most to the turnover achieved in **Romania.**

Turnover in the **Western European** region increased materially by 14.3 percent expressed in HUF terms. Growth recorded in Spain, Germany, Italy and France contributed the most to the sales level achieved during the reported period. As far as the product portfolio is concerned substantial increases of TERROSA®, BEMFOLA® and proceeds from royalty and direct sales of EVRA® resulted in an outstanding turnover in the region, which represented 53 percent of total European pharmaceutical sales.

8) CIS

Sales to **Russia** at HUF 85,086m (RUB 20,752.6m) declined by 0.9 percent in HUF terms (increased by 2.7 percent in RUB terms). The RUB depreciated against the HUF on an average of 3.5 percent compared to 2020. While the market environment remained volatile in the reported year direct promotional activities resumed at levels experienced prior to the pandemic.

A price adjustment of an average 3.8 percent impacted positively our overall portfolio during 2021.

Prices of certain drugs included in the Essential Drug List have been reviewed by the Authority and they came into effect during the first half 2021. The above price harmonization negatively impacted turnover in Russia by approximately RUB 0.5bn during 2021.

In-market intelligence (IQVIA, data relative to the first eleven months) suggests that while the market declined by 5.9 percent in volume terms Richter products fell behind their base period turnover by 2.7 percent. In-market turnover recorded by our products did not change materially when compared with 2020.

Sales of originator products reported a significant increase during the reported period while generic manufacturers recorded near flat sales in 2021 when expressed in RUB terms. Partly because of international sanctions imposed on Russia local manufacturers realised higher sales in volume terms compared to declining sales of international pharmaceutical producers.

Sales levels during the reported period at EUR 237.2m declined by EUR 7.4m when compared to 2020, a decline caused by the RUB falling 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.

With effect from 1 January 2021 we switched invoicing currency from USD to EUR in **Ukraine**. Sales reported in this country in 2021, at EUR 40.3m increased by 8.0 percent primarily due to an increase of our prices on an average of 5.5 percent during the reported year. Certain restocking experienced at wholesalers also contributed to the sales growth achieved. Sales to **Other CIS** markets reported a turnover of HUF 26,604m, representing a slight increase when compared to the sales performance achieved in 2020. Worsening exchange rates against EUR also partly offset the achieved overall good turnover experienced in these countries.

9) USA

Sales to the **USA**, our leading market as far as revenue is concerned, increased by 13.3 percent in HUF terms and by 14.6 percent in USD terms. Revenues linked to VRAYLAR® amounted to HUF 101,569m (USD 334.4m), a growth of 16.9 percent (18.2 percent in USD terms) when compared to 2020. However, when adjusting the base period figure for the sales related milestone received the year-on-year growth of royalties showed a robust growth of 28.7 percent when expressed in HUF terms (30.2 percent in USD) based on turnover achieved by our partner, AbbVie.

Lower turnover recorded in respect of finished form PLAN B / PLAN B ONE-STEP together with a decline in API sales impacted adversely our turnover achieved.

10) China

A credit note amounting to HUF 3.8bn (EUR 10m) issued in the base period to the wholesalers, which followed the delisting of CAVINTON injectables resulted in a virtual increase reported in 2021 in this market. Richter's Management considers this market to be of high importance and it focuses on the promotion of the current WHC portfolio while at the same time having a strategic objective to further enhance this product line. Sales of oral contraceptives to this market grew by a remarkable HUF 1,926m.

11) Latin America

Higher turnover was recorded in most countries of this region, out of which the performance of Mexico and Chile contributed primarily to the outstanding sales levels. As for product portfolio, royalty proceeds of EVRA® and an increase of oral contraceptives contributed the most to the sales growth achieved.

12) Rest of the World

Royalty proceeds of EVRA® together with higher sales levels of teriparatide contributed primarily to the sales growth achieved during the reported period. Geographically, a growth was driven primarily by higher turnover recorded in Canada, Mongolia and Japan.

6. Background Information to Pharmaceutical Sales

by region in currencies of invoicing

	Currency (million)	2021	2020	Change %
		12 months to December		
Hungary	HUF	43,612	41,086	6.1
Europe*	EUR	423.0	389.9	8.5
CEE	EUR	198.6	189.2	5.0
WEU	EUR	224.4	200.7	11.8
CIS	EUR	351.7	355.9	-1.2
	USD	415.3	406.5	2.2
Russia	RUB	20,752.6	20,198.6	2.7
Ukraine	EUR	40.3	37.3	8.0
Other CIS	EUR	74.2	74.0	0.3
	USD	87.6	84.5	3.7
USA	USD	404.9	353.2	14.6
China	CNY	330.5	240.3	37.5
Latin America	USD	45.4	25.1	80.9
RoW	EUR	87.0	78.2	11.3
	USD	102.8	89.3	15.1

Note:
* Excluding Hungary

to Top 10 markets

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
USA	122,991	108,509	14,482	13.3	343.0	309.2
Russia	85,086	85,844	-758	-0.9	237.2	244.6
Hungary	43,612	41,086	2,526	6.1	121.6	117.0
Poland	27,162	26,380	782	3.0	75.7	75.2
Germany	22,718	19,643	3,075	15.7	63.4	56.0
China	15,593	10,764	4,829	44.9	43.5	30.7
Spain	15,541	11,817	3,724	31.5	43.3	33.7
Ukraine	14,447	13,097	1,350	10.3	40.3	37.3
Romania	12,817	12,223	594	4.9	35.7	34.8
Italy	9,708	7,813	1,895	24.3	27.1	22.2
Total Top 10	369,675	337,176	32,499	9.6	1,030.8	960.7
Total Sales	505,019	457,264	47,755	10.4	1,408.3	1,302.8
Total Top 10 / Total Sales %					73.2	73.7

of Top 10 products

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
VRAYLAR® / REAGILA® / cariprazine	106,581	90,798	15,783	17.4	297.2	258.7
Oral contraceptives	103,381	107,698	-4,317	-4.0	288.3	306.9
BEMFOLA®	19,629	16,688	2,941	17.6	54.7	47.5
MYDETON	18,226	17,366	860	5.0	50.8	49.5
CAVINTON	16,860	13,180	3,680	27.9	47.0	37.5
VEROSPIRON	15,805	14,773	1,032	7.0	44.1	42.1
PANANGIN	15,765	16,165	-400	-2.5	44.0	46.1
EVRA®	13,512	-	13,512	n.a.	37.7	-
TERROSA® / teriparatide	13,186	8,612	4,574	53.1	36.8	24.5
AFLAMIN	11,507	10,595	912	8.6	32.1	30.2
Total Top 10	334,452	295,875	38,577	13.0	932.7	843.0
Total Sales	505,019	457,264	47,755	10.4	1,408.3	1,302.8
Total Top 10 / Total Sales %					66.2	64.7

7. Sales of Specialty Products

	HUFm				Notes	EURm	
	2021	2020	Change			2021	2020
	12 months to December			%		12 months to December	
cariprazine	106,176	90,650	15,526	17.1	1)	296.1	258.2
VRAYLAR® royalty	101,569	78,949	22,620	28.7		283.2	224.9
VRAYLAR® milestone	-	7,946	-7,946	n.a.		-	22.6
REAGILA®	4,607	3,755	852	22.7		12.9	10.7
WHC	170,074	151,549	18,525	12.2	2)	474.3	431.8
BEMFOLA®	19,629	16,688	2,941	17.6	3)	54.7	47.5
EVRA®	13,512	-	13,512	n.a.	4)	37.7	-
OCs	103,381	107,698	-4,317	-4.0		288.3	306.9
teriparatide	13,186	8,612	4,574	53.1	5)	36.8	24.5
Total	289,436	250,811	38,625	15.4		807.2	714.5
Proportion to Pharma sales (%)	57.3	54.9					

8. Notes to Specialty Sales

1) Cariprazine – Central Nervous System

VRAYLAR® royalty income due to Richter in the twelve months to December 2021 amounted to HUF 101,569m (USD 334.4m). This amount contributed materially to the sales levels achieved during the reported period.

No sales related milestones were accounted for in respect of VRAYLAR® sales recorded in the USA in the reported period while a HUF 7,946m (USD 25.9m) milestone income was triggered in the base period.

Proceeds from REAGILA® amounted to HUF 4,607m (EUR 12.9m) during the reported period.

Figures shown in the following table are actual figures except for royalty income recorded in the fourth quarter 2021 in respect of REAGILA®.

	Turnover (Royalties included)				
	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4
USDm / VRAYLAR® (royalty+API)	97.7	91.6	77.2	69.2	76.3
EURm / REAGILA® (royalty+product sales)	4.2	3.3	3.6	1.8	3.0

Recent developments

USA

Following an established pattern of seasonally lower sales in the first quarter, the net sales of VRAYLAR® showed robust growth in subsequent quarters in 2021. When adjusting the base period figure for the sales related milestone received, year-on-year growth of royalties accounted for on behalf of VRAYLAR® sales in the USA grew by 28.7 percent (30.2 percent in USD terms) during the reported period.

In late October 2021 Richter announced that both phase III clinical trials which were ongoing in the USA to determine efficacy, safety, and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD) had been completed. In one of the studies cariprazine showed a statistically significant change to week six in the Montgomery-Åsberg Depression Rating Scale (MADRS) total score compared with placebo while in the other it failed to reach statistical significance at its primary endpoints.

Based on the positive results of the clinical studies and the totality of data reported, AbbVie submitted a supplemental New Drug Application (sNDA) with the U.S. Food and Drug Administration for the expanded use of cariprazine for the adjunctive treatment of MDD.

Europe

REAGILA® was launched by the end of 2021 with reimbursement by Richter in the following countries of the Central and Eastern European region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia. With effect from 1 November 2021 REAGILA® was included on the reimbursement list in Poland and from 1 January 2022 in Estonia.

The product had been on the market previously in Romania and in Lithuania being launched in Croatia in the last quarter 2021 without reimbursement.

In the WEU region REAGILA® was launched with reimbursement in Greece during the third quarter. There are now 12 markets in Western Europe where the product is commercialised by Recordati with reimbursement. In addition, the product had already been on the market in Belgium and Austria without reimbursement.

Europe – Countries outside the European region

The product received reimbursement in Serbia during the reported year and therefore it is now being marketed by Richter with reimbursement in both Montenegro and Serbia.

By the end of 2021 REAGILA® was launched by Recordati with reimbursement in Switzerland and Norway.

By the end of 2021 REAGILA® was registered by Recordati in Turkey for a schizophrenia indication.

CIS

In Russia REAGILA® was included on the Essential Drug List (EDL) and it is available with reimbursement to patients suffering from schizophrenia, bipolar mania and bipolar depression. By the end of 2021 in the CIS region the product had been earlier launched in Azerbaijan, Belarus, Georgia, Kazakhstan, Moldavia, Russia, Ukraine and Uzbekistan.

Other markets

In the last quarter REAGILA® was registered in Vietnam by Richter for patients suffering from schizophrenia.

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

With effect from 1 September 2021 cariprazine is available with reimbursement to Australian patients with a schizophrenia indication, marketed by Richter's Australian partner Seqirus.

Following a previous successful registration REAGILA® was already on the market in Israel marketed by Dexcel Pharma for the indication of schizophrenia and in November 2021 registration was achieved for bipolar mania and depression.

In the reported period REAGILA® was registered in Qatar by Hikma. The product is already on the market in Egypt, Jordan and Saudi Arabia and registered in the United Arab Emirates. Further regulatory activities are ongoing in several MENA countries.

Mitsubishi Tanabe Pharma Corporation commercialises cariprazine in Malaysia, Singapore and Thailand while market authorisation was granted in Indonesia during the last quarter 2021.

Altogether by the end of 2021 cariprazine was available in 47 countries globally including the USA and Hungary, with reimbursement in most of those countries where a reimbursement system is in place.

2) Women's Healthcare – Core Business

WHC sales by region

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
Hungary	4,564	4,264	300	7.0	12.7	12.2
Europe*	80,029	67,299	12,730	18.9	223.2	191.7
CEE	19,740	16,063	3,677	22.9	55.1	45.7
WEU	60,289	51,236	9,053	17.7	168.1	146.0
CIS	36,786	37,300	-514	-1.4	102.6	106.2
Russia	28,542	30,465	-1,923	-6.3	79.6	86.8
Ukraine	3,691	2,754	937	34.0	10.3	7.8
Other CIS	4,553	4,081	472	11.6	12.7	11.6
USA	11,542	14,083	-2,541	-18.0	32.2	40.1
China	12,365	11,038	1,327	12.0	34.5	31.5
Latin America	11,364	5,502	5,862	106.5	31.7	15.7
RoW	13,424	12,063	1,361	11.3	37.4	34.4
Total	170,074	151,549	18,525	12.2	474.3	431.8

Note:
* Excluding Hungary

WHC sales in 2021 exceeded levels recorded in same period of the previous year by HUF 18,525m or 12.2 percent. Higher sales levels recorded in WEU, Latin America, CEE, most of the RoW markets and China were partly offset by lower turnover achieved in USA and Russia. Sales of this product group increased primarily due to royalty and direct sales income received in respect of EVRA®. Declining sales reported in Russia resulted from uneven timing of shipments while figures reported in HUF and EUR were both impacted by RUB depreciation against these currencies (3.5 percent and 5.9 percent, respectively). Royalty income of EVRA® and higher sales levels of BEMFOLA® more than offset lower sales levels of oral contraceptives.

Proportion of WHC sales to total pharmaceutical turnover – by region

	%	
	2021	2020
	12 months to December	
Hungary	10.4	10.4
Europe*	52.8	49.2
CEE	27.7	24.2
WEU	74.9	72.7
CIS	29.2	29.8
USA	9.4	13.0
China**	79.3	n.a
Latin America	82.3	71.7
RoW	43.0	44.0
Total	33.7	33.1

Notes:
* Excluding Hungary
** As a credit note was issued during the third quarter 2020 in respect of previously shipped stocks of CAVINTON the proportion of WHC sales to total sales in China is not available.

Western Europe Top 5 markets

	MEUR	
	2021	2020
	12 months to December	
Germany	35.4	35.0
Spain	32.8	24.7
Italy	23.9	21.1
France	20.6	17.1
UK	17.2	14.9
Total Top 5 Sales	129.9	112.8
Total WEU Sales	168.1	146.0
Total Top 5 Sales %	77.3	77.3

3) BEMFOLA® – Women's Healthcare

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
Hungary	739	683	56	8.2	2.1	1.9
Europe*	15,589	12,756	2,833	22.2	43.5	36.3
CEE	1,773	1,498	275	18.4	5.0	4.3
WEU	13,816	11,258	2,558	22.7	38.5	32.0
CIS	268	20	248	n.a.	0.7	0.1
Latin America	11	-	11	n.a.	0.0	-
RoW	3,022	3,229	-207	-6.4	8.4	9.2
Total	19,629	16,688	2,941	17.6	54.7	47.5

Note:
* Excluding Hungary

Positive impact of the removal of previous restrictions related to COVID-19 pandemic led to rebounding sales of BEMFOLA®. Turnover achieved by the product in 2021 amounted to HUF 19,629m, exceeding low base figures by HUF 2.941m or 17.6 percent as most of the fertility centres resumed their activities in many European countries. In EUR terms sales performance of this product reported for 2021 increased by 15.2 percent when compared to the exceptionally weak performance of 2020.

4) EVRA® – Women's Healthcare

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
Hungary	6	-	6	n.a.	0.0	-
Europe*	5,349	-	5,349	n.a.	14.9	-
CEE	985	-	985	n.a.	2.7	-
WEU	4,364	-	4,364	n.a.	12.2	-
CIS	295	-	295	n.a.	0.9	-
Latin America	4,410	-	4,410	n.a.	12.3	-
RoW	3,452	-	3,452	n.a.	9.6	-
Total	13,512	-	13,512	n.a.	37.7	-

Note:
* Excluding Hungary

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.

The agreement was concluded in January 2021 and in accordance with a transitional business licence agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. Royalty type revenues linked to sales of EVRA® and paid by Janssen during this transitional period are being reported

as sales. In the reported period following royalty proceeds of EVRA®, the product ranked 8th on our Top10 products list.

Royalty income recorded by this product amounted to HUF 13,358m (EUR 37.3m) in 2021. Direct sales of EVRA® have commenced during the fourth quarter 2021 in Ireland, Portugal, Austria and Hungary totalling HUF 154m (EUR 0.4m).

5) Teriparatide – biosimilar portfolio

Total sales proceeds from teriparatide amounted to HUF 13,186m (EUR 36.8m) in 2021. Richter launched its biosimilar, Terrosa® in the EU in August 2019 while its license partner, Mochida Pharmaceuticals introduced the product in Japan in late November of the same year. In addition to the above, the product was launched during 2020 by Daewon Pharmaceutical Co. Ltd. in South Korea and by Avir Pharma Inc. in Canada, while our Israeli partner, Dexcel Pharma received marketing authorization for the product in the same year. The product was launched in March 2021 on the Israel market. Sales proceeds from Japan contributed HUF 3,560m representing 27% of total sales achieved by the product.

9. Sales of Wholesale and Retail Business Segment

	HUFm				EURm	
	2021	2020	Change		2021	2020
	12 months to December			%	12 months to December	
Hungary	2	-	2	n.a.	0.0	-
Europe*	118,209	96,719	21,490	22.2	329.6	275.6
CEE	118,209	96,719	21,490	22.2	329.6	275.6
CIS	11,104	18,247	-7,143	-39.1	31.0	52.0
Other CIS	11,104	18,247	-7,143	-39.1	31.0	52.0
Latin America	4,898	4,813	85	1.8	13.7	13.7
Total	134,213	119,779	14,434	12.1	374.3	341.3

Note:
* Excluding Hungary

In June 2021 Richter divested its wholesale operation in the Republic of Moldova to Grin-Farm S.R.L. and its retail operations to BIRIVOFARM S.R.L., both headquartered in the Republic of Moldova. The transaction was closed in July 2021.

10. 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	Audited	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**
P&L items HUFm										
Revenues	**505,019**	**457,264**	**134,213**	**119,779**	**7,150**	**6,919**	**(15,787)**	**(17,186)**	**630,595**	**566,776**
Cost of sales	(166,752)	(150,241)	(123,964)	(108,286)	(6,346)	(6,057)	15,740	16,578	(281,322)	(248,006)
Gross profit	338,267	307,023	10,249	11,493	804	862	(47)	(608)	349,273	318,770
Profit from operations	**135,047**	**114,482**	**465**	**975**	**386**	**238**	**(66)**	**(606)**	**135,832**	**115,089**
Net financial income/(loss)	12,351	5,265	(527)	(1,567)	12	14	(4,203)	(4,537)	7,633	(825)
Miscellaneous items										
Capital expenditure HUFm	142,460	65,733	595	693	262	214	(20)	(2)	143,297	66,638
Number of employees at the end of the period	10,751	11,001	1,100	1,418	411	423	-	-	12,262	12,842
Business metrics %										
Gross margin	67.0	67.1	7.6	9.6	11.2	12.5	-	-	55.4	56.2
Operating margin	26.7	25.0	0.3	0.8	5.4	3.4	-	-	21.5	20.3

11. Consolidated Financial Review

Consolidated Balance Sheet – Assets

	31 December 2021 Audited HUFm	Notes	31 December 2020 Audited HUFm	Change %
ASSETS	**1,145,282**		**948,589**	**20.7**
Non-current assets	**732,660**	**13)**	**499,071**	**46.8**
Property, plant and equipment	278,394		254,121	9.6
Investment property	110		110	0.0
Goodwill	35,005		31,398	11.5
Other intangible assets	220,915		141,303	56.3
Investments in associates and joint ventures	10,800		12,269	-12.0
Non-current financial assets at amortised cost	5,335		1,171	355.6
Non-current financial assets at FVTPL	93,758		10,797	768.4
Non-current financial assets at FVOCI	73,274		38,216	91.7
Deferred tax assets	12,285		7,139	72.1
Long term receivables	2,784		2,547	9.3
Current assets	**412,622**	**14)**	**449,518**	**-8.2**
Inventories	131,349		110,059	19.3
Contract assets	3,865		3,080	25.5
Trade receivables	184,760		152,652	21.0
Other current assets	30,474		27,162	12.2
Current financial assets at amortised cost	912		371	145.8
Current financial assets at fair value	296		7,142	-95.9
Current tax asset	1,110		1,196	-7.2
Cash and cash equivalents	59,856		142,068	-57.9
Assets classified as held for sale	-		5,788	-100.0

Consolidated Balance Sheet – Equity and Liabilities

	31 December 2021 Audited HUFm	Notes	31 December 2020 Audited HUFm	Change %
EQUITY AND LIABILITIES	**1,145,282**		**948,589**	**20.7**
Capital and reserves	**923,022**	**15)**	**813,939**	**13.4**
Share capital	18,638		18,638	0.0
Treasury shares	(2,862)		(3,791)	-24.5
Share premium	15,214		15,214	0.0
Capital reserves	3,475		3,475	0.0
Foreign currency translation reserves	29,363		21,039	39.6
Revaluation reserves for financial assets at FVOCI	1,346		974	38.2
Cash-flow hedge reserve	(23)		-	n.a.
Retained earnings	849,735		751,408	13.1
Non-controlling interest	8,136		6,982	16.5
Non-current liabilities	**99,047**	**16)**	**26,712**	**270.8**
Deferred tax liability	3,798		1,753	116.7
Non-current financial liabilities at FVTPL	63,819		805	n.a.
Lease liability	12,722		10,754	18.3
Other non-current liabilities and accruals	12,830		6,747	90.2
Provisions	5,878		6,653	-11.6
Current liabilities	**123,213**	**17)**	**107,938**	**14.2**
Trade payables	79,638		65,838	21.0
Contract liabilities	1,593		772	106.3
Current tax liabilities	2,722		1,993	36.6
Current financial liabilities at FVTPL	3,277		4,014	-18.4
Lease liability	4,595		3,802	20.9
Other current liabilities and accruals	28,267		24,918	13.4
Provisions	3,121		4,866	-35.9
Liabilities directly associated with assets classified as held for sale	-		1,735	-100.0

Consolidated Income Statement – HUF

	For the year ended 31 December			
	2021 Audited HUFm	Notes	2020 Audited HUFm	Change %
Revenues	**630,595**		**566,776**	**11.3**
Cost of sales	(281,322)		(248,006)	13.4
Gross profit	**349,273**	**18)**	**318,770**	**9.6**
Sales and marketing expenses	(114,596)	19)	(105,555)	8.6
Administration and general expenses	(28,665)	20)	(28,211)	1.6
Research and development expenses	(61,005)	21)	(53,977)	13.0
Other income and other expenses (net)	(9,493)	22)	(17,267)	-45.0
Reversal of impairment on financial and contract assets	318		1,329	-76.1
Profit from operations	**135,832**	**23)**	**115,089**	**18.0**
Finance income	30,106		28,780	4.6
Finance costs	(22,473)		(29,605)	-24.1
Net financial income / (loss)	**7,633**	**24)**	**(825)**	**n.a.**
Share of profit of associates and joint ventures	3,110		900	245.6
Profit before income tax	**146,575**		**115,164**	**27.3**
Income and deferred tax	(856)	25)	(4,487)	-80.9
Local business tax and innovation contribution	(4,539)		(4,625)	-1.9
Profit for the year	**141,180**		**106,052**	**33.1**
Profit attributable to:				
Owners of the parent	**139,626**	**26)**	**104,683**	**33.4**
Non-controlling interest	1,554		1,369	13.5
Statement of comprehensive income				
Profit for the year	**141,180**		**106,052**	**33.1**
Actuarial gain/(loss) on retirement defined benefit plans	631		(1,707)	n.a.
Changes in the fair value of equity instruments at FVOCI	2,154		(1,077)	n.a.
Items that will not be reclassified to profit or loss (net of tax)	**2,785**		**(2,784)**	**n.a.**
Exchange differences arising on translation of subsidiaries	8,626		(591)	n.a.
Exchange differences arising on translation of associates and joint ventures	(53)		(103)	-48.5
Fair value loss on cash-flow hedges	(23)		-	n.a.
Changes in fair value of debt instruments at FVOCI	(1,620)		-	n.a.
Items that may be subsequently reclassified to profit or loss (net of tax)	**6,930**		**(694)**	**n.a.**
Other comprehensive income for the year	**9,715**		**(3,478)**	**n.a.**
Total comprehensive income for the year	**150,895**		**102,574**	**47.1**
Attributable to:				
Owners of the parent	**149,092**		**100,725**	**48.0**
Non-controlling interest	1,803		1,849	-2.5
Earnings per share (EPS)	**HUF**		**HUF**	**%**
Basic	751		563	33.4
Diluted	751		563	33.4

Consolidated Income Statement – EUR

	For the year ended 31 December		
	2021 Audited EURm	2020 Audited EURm	Change %
Revenues	**1,758.5**	**1,614.8**	**8.9**
Cost of sales	(784.5)	(706.6)	11.0
Gross profit	**974.0**	**908.2**	**7.2**
Sales and marketing expenses	(319.6)	(300.7)	6.3
Administration and general expenses	(79.9)	(80.4)	-0.6
Research and development expenses	(170.1)	(153.8)	10.6
Other income and other expenses (net)	(26.5)	(49.2)	-46.1
Reversal of impairment on financial and contract assets	0.9	3.8	-76.3
Profit from operations	**378.8**	**327.9**	**15.5**
Finance income	84.0	82.0	2.4
Finance costs	(62.7)	(84.4)	-25.7
Net financial income / (loss)	**21.3**	**(2.4)**	**n.a.**
Share of profit of associates and joint ventures	8.7	2.6	234.6
Profit before income tax	**408.8**	**328.1**	**24.6**
Income and deferred tax	(2.4)	(12.8)	-81.3
Local business tax and innovation contribution	(12.7)	(13.1)	-3.1
Profit for the year	**393.7**	**302.2**	**30.3**
Profit attributable to:			
Owners of the parent	**389.4**	**298.3**	**30.5**
Non-controlling interest	4.3	3.9	10.3
Average exchange rate (EURHUF)	358.59	350.98	2.2
Statement of comprehensive income			
Profit for the year	**393.7**	**302.2**	**30.3**
Actuarial gain/(loss) on retirement defined benefit plans	1.8	(4.8)	n.a.
Changes in the fair value of equity instruments at FVOCI	6.0	(3.1)	n.a.
Items that will not be reclassified to profit or loss (net of tax)	**7.8**	**(7.9)**	**n.a.**
Exchange differences arising on translation of subsidiaries	24.1	(1.7)	n.a.
Exchange differences arising on translation of associates and joint ventures	(0.2)	(0.3)	-33.3
Fair value loss on cash-flow hedges	(0.1)	-	n.a.
Changes in fair value of debt instruments at FVOCI	(4.5)	-	n.a.
Items that may be subsequently reclassified to profit or loss (net of tax)	**19.3**	**(2.0)**	**n.a.**
Other comprehensive income for the year	**27.1**	**(9.9)**	**n.a.**
Total comprehensive income for the year	**420.8**	**292.3**	**44.0**
Attributable to:			
Owners of the parent	**415.8**	**287.0**	**44.9**
Non-controlling interest	5.0	5.3	-5.7
Earnings per share (EPS)	**EUR**	**EUR**	**%**
Basic	2.09	1.60	30.6
Diluted	2.09	1.60	30.6

Consolidated Cash-flow Statement

	For the year ended 31 December 2021 Audited HUFm	Notes	2020 Audited HUFm
Operating activities			
Profit before income tax	**146,575**		**115,164**
Depreciation and amortisation	44,922		39,846
Non cash items accounted through Consolidated Income Statement	(1,425)		(2,031)
Net interest and dividend income	(3,568)		(1,504)
Changes in provision for defined benefit plans	(8)		703
Reclass of results on changes of property, plant and equipment and intangible assets	(939)		767
Gain on disposal of subsidiaries	(1,391)		-
Impairment recognised on intangible assets and goodwill	2,591		8,256
Expense recognised in respect of equity-settled share-based payments	1,590		1,642
Movements in working capital			
Increase in trade and other receivables	(36,470)		(3,341)
Increase in inventories	(20,983)		(13,900)
Increase/(decrease) in payables and other liabilities	17,173		(4,545)
Interest paid	(27)		(22)
Income tax paid	(8,136)		(7,515)
Net cash-flow from operating activities	**139,904**		**133,520**
Investing activities			
Payments for property, plant and equipment	(46,127)	27)	(36,903)
Payments for intangible assets	(97,170)	28)	(29,735)
Proceeds from disposal of property, plant and equipment	1,857		432
Government grant received related to investments	693		2,197
Payments to acquire financial assets	(143,206)		(47,454)
Proceeds on sale or redemption on maturity of financial assets	30,998		10,807
Disbursement of loans net	(1,294)		848
Interest received	2,950		915
Dividend receives	9		2
Net cash inflow from disposal of subsidiaries	2,118		-
Net cash-flow to investing activities	**(249,172)**		**(98,891)**
Financing activities			
Purchase of treasury shares	(819)		(1,650)
Dividend paid	(42,140)		(13,500)
Principal elements of lease payments	(2,055)		(3,143)
Repayment of borrowings	(244,846)		-
Proceeds from borrowings	315,119		-
Net cash-flow from / (to) financing activities	**25,259**		**(18,293)**
Net (decrease) / increase in cash and cash equivalents	**(84,009)**		**16,336**
Cash and cash equivalents at beginning of year	**142,068**		**128,573**
Effect of foreign exchange rate changes on the balances held in foreign currencies	1,603		(2,647)
Cash and cash equivalents at end of year	**59,662**		**142,262**

Cash and cash equivalents at end of period cannot be reconciled directly to Cash and cash equivalents of the Consolidated Balance sheet due to year end figure of Cash and cash equivalents did not contain the total cash of held for sale companies.

12. Notes to Consolidated Financial Review

13) Non-current assets

The level of Other intangible assets increased primarily as a result of the recognition of our recently acquired outside US EVRA® transdermal contraceptive patch as an intangible asset.

The level of Property, plant and equipment increased as a result of certain capital expenditure programmes carried out at the Group during the reported year.

The higher levels of Non-current financial assets at fair value through profit or loss and Non-current financial assets at fair value through other comprehensive income resulted from the increase of securities (HUF 118.0bn), which is linked to the purchase of government securities, corporate bonds and other securities. The latter purchases were financed via a bonds issued in the amount of HUF 70bn. (See Appendix.)

14) Current assets

Higher Inventories were built up during 2021 in order to reduce supply-related risks linked to the pandemic.

Cash and cash equivalents declined primarily as a result of the payment of the purchase price of the EVRA® contraceptive patch, the 2020 dividend payment together with acquisition of Non-current financial assets.

Trade receivables increased during the reported year.

15) Capital and reserves

Retained earnings amounted to HUF 849,735m and increased by HUF 98,327m. The increase was due to profits realized during the reported year.

16) Non-current liabilities

On 2 June 2021 the Group held a successful auction for qualified investors and received funding in the amount of HUF 70,273m from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme (“NKP”) of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

As a consequence of having issued “RICHTER 2031 HUF Bonds” the amount of both assets and liabilities at fair value increased. The fair value of such bonds and financial instruments are detailed in the Appendix.

17) Current liabilities

Current liabilities have increased primarily as a result of higher levels of Trade payables.

18) Gross profit and margin

Gross profit was positively impacted by

- a significant year-on-year increase (HUF 22,620m) in royalties receivable linked to sales of VRAYLAR® in the USA;
- royalty accounted for in respect of EVRA® (HUF 13,358m) which is a new item;

while it was negatively impacted by:
- a decline in sales of relatively high margin oral contraceptives;
- the absence of the flu season which affected turnover of antiviral GROPRINOSIN negatively in 2021 compared to heavy stockpiling in the base year.

Amortisation of acquired portfolio

Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 4,238m. Corresponding figures for the base year was HUF 4,313m.

Amortization of BEMFOLA® amounted to HUF 2,080m, and we accounted for HUF 3,523m in respect of EVRA® on the same grounds during the reported year.

Gross margin

55.4%	56.2%

Gross margin declined during the reported year when compared to that achieved in 2020 as a result of the previously detailed offsetting items. This decline was also a consequence of higher turnover being achieved by the core Pharmaceutical segment, which was exceeded by the sales growth reported by the lower margin Wholesale and retail business.

The year-on-year decline experienced at the gross margin level was partly due to a sales related milestone accounted for during the base period, which was not repeated in the reported year.

19) Sales and marketing expenses

Proportion to sales:

18.2%	18.6%

The proportion of Sales and marketing expenses to sales declined during the reported year. The monetary amount of these slightly increased primarily in our Western European and Chinese operations while in the base year promotional activities were severely limited by COVID-19 pandemic related measures, with conferences and other commercial events having been cancelled in most of the regions where direct marketing activities are carried out by Richter.

Registration fee for medical representatives

The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 137m in. In accordance with the regulations, tax payable in 2021 on this ground can be offset by 90% 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.

20) Administrative and general expenses

These expenses increased slightly during 2021 due to higher employee costs.

21) Research and development expenses

Proportion to sales:

9.7%	9.5%

The levels of such expenses have been determined primarily by the ongoing clinical trials carried out in co-operation with AbbVie together with development programs executed in the field of biotechnology and Women's Healthcare. Higher R&D costs resulted also from certain CNS projects successfully moving into their clinical phase. The increase of such expenses exceeded the growth rate of the turnover.

22) Other income and other expenses (net)

Claw-back

Other income and expenses include in 2021 liabilities amounting to HUF 5,003m in respect of the claw-back regimes. Such claw-backs increased primarily in Romania, Poland, Italy and France.

One-off items

During 2021 milestone income totalled HUF 3,072m including HUF 1,630m received from Hikma Pharmaceuticals in respect of denosumab licensing-out, HUF 1,208m paid by Mochida in respect of successful tocilizumab technology transfer and HUF 234m in respect of cariprazine for its inclusion for the schizophrenia indication in the Pharmaceutical Benefits Scheme (PBS) in Australia. Also during the reported year an impairment loss related to the asset Priya was accounted for in the amount of HUF 1,731m.

HUF 900m milestone income was reported during the base period. Subsequent to a review of research programs conducted and product launches executed an impairment loss of HUF 4,434m was also incurred during the base period related to certain WHC products/projects.

20 percent tax obligation payable

In 2021 an expense of HUF 543m was accounted for in respect of the 20% 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.

23) Profit from operations, operating margin and EBITDA

Profit from operations substantially increased during 2021 when compared to the same period 2020.

Operating margin

21.5%	20.3%

EBITDA

HUF 176,123m	HUF 150,747m

The Group defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Group has applied the IFRS 16 Leases standard. As a result of this 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.

24) Consolidated net financial (loss) / income

	HUFm			EURm		
	2021	2020	Change	2021	2020	Change
	12 months to December			12 months to December		
Unrealised financial items	**4,403**	**(2,538)**	**6,941**	**12.3**	**(7.3)**	**19.6**
Exchange gain/(loss) on trade receivables and trade payables	3,911	(1,238)	5,149	10.9	(3.5)	14.4
Gain on foreign currency loans receivable	984	699	285	2.7	2.0	0.7
Year-end gain on foreign currency securities	1,771	270	1,501	4.9	0.8	4.1
Foreign exchange difference of other financial assets and liabilities	585	866	-281	1.6	2.3	-0.7
Result of unrealised forward exchange contracts	195	-	195	0.6	-	0.6
Interest expenses related to IFRS 16 standard	(636)	(609)	-27	(1.8)	(1.7)	-0.1
Foreign exchange difference related to IFRS 16 standard	(109)	(21)	-88	(0.3)	(0.1)	-0.2
Unrealised fair value difference on financial instruments	(1,540)	695	-2,235	(4.2)	2.0	-6.2
Impairment loss on investments	(758)	(3,200)	2,442	(2.1)	(9.1)	7.0
Realised financial items	**3,230**	**1,713**	**1,517**	**9.0**	**4.9**	**4.1**
Exchange gain/(loss) realised on trade receivables and trade payables	2,240	(323)	2,563	6.3	(0.9)	7.2
Foreign exchange difference on conversion of cash	(1,980)	1,186	-3,166	(5.5)	3.4	-8.9
Dividend income	9	2	7	0.0	0.0	0.0
Interest income	2,950	915	2,035	8.2	2.6	5.6
Interest expense	(27)	(22)	-5	(0.1)	(0.1)	0.0
Other financial items	38	(45)	83	0.1	(0.1)	0.2
Net financial income / (loss)	**7,633**	**(825)**	**8,458**	**21.3**	**(2.4)**	**23.7**

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 financial function regularly evaluates the net groupwide risk exposure and analyses potential hedging opportunities. The Group currently 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 reasonable. In the fourth quarter of 2021 the Group introduced hedge accounting rules under IFRS9 in respect of the transactions hedging part of the 2022 exposures. While we regularly used derivatives to manage FX risk through the year, the open foreign currency forward contracts by the Group as of 31 December 2021 under cash flow hedge were USD 200m and USD 40m, EUR 7.431m and RUB 5.8bn presented as open “held for trading” foreign currency forwards.

25) 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 2021 the Group reported HUF 856m tax expense, which resulted from a HUF 4,391m corporate tax expense, a HUF 5m extraordinary tax expense and a HUF 3,540m deferred tax income.

26) Net income margin attributable to owners of the parent

22.1 %	18.5%

27) and 28) Capital expenditure

Capital expenditure for the Group including payments for intangible assets (HUF 97,170m) totalled HUF 143,297m in 2021 when compared to HUF 66,638m reported for 2020.

Treasury Policy

The treasury activities of the Richter Group are centrally managed by the treasury function of the Parent Company. The centralized 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; centralized 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.

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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 ETFs with the same risk characteristics) are used.

As the Group markets its products in several countries, which could be considered 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.

13. 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.

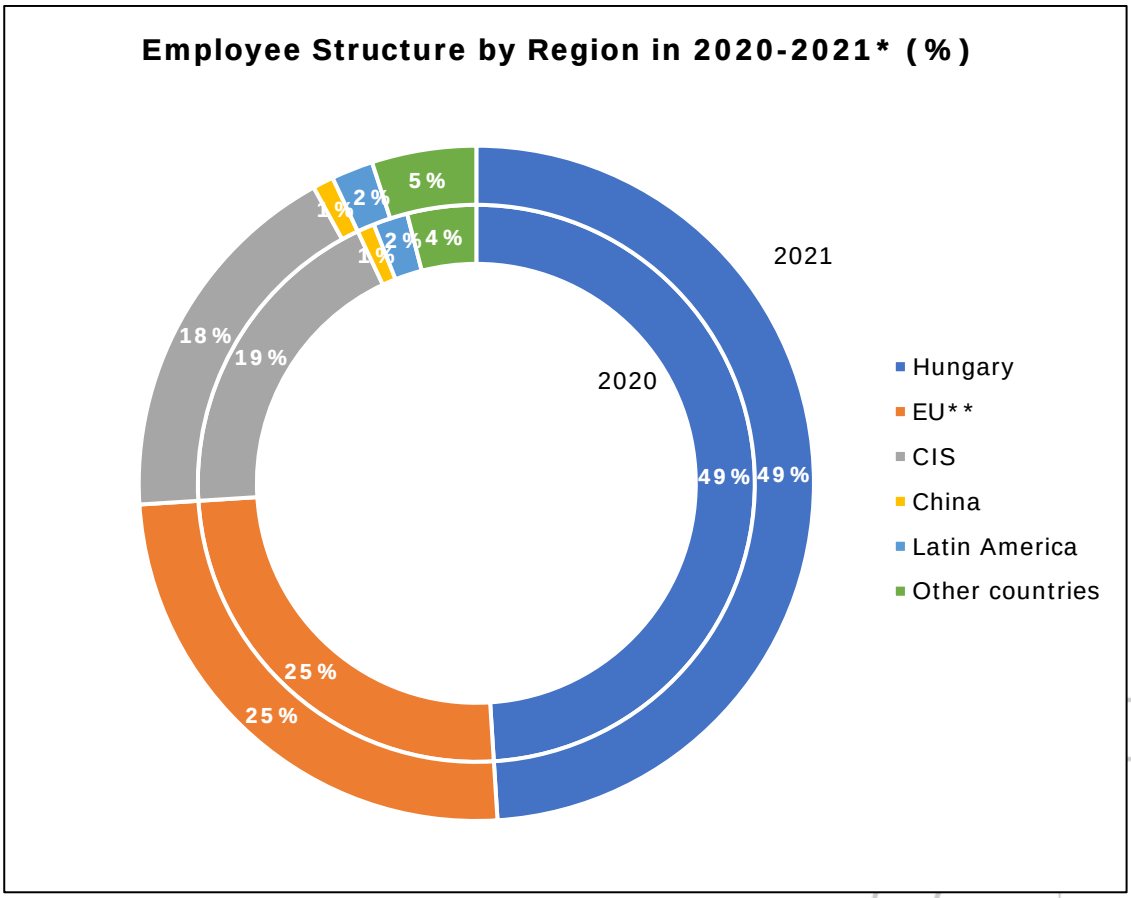
VII. Human Resources

1. Employees

2021 was a year determined by the COVID-19 pandemic that fundamentally changed the way we think about work, working and the commitment of employees. The ratio of employees working in their home office reached 20 percent, since the health and safety of people working either at the Company's different locations or at home became the focus last year. Our environmental conditions were defined by continuous changes and we constantly needed to react to the new situations. During 2021, our main tasks were to maintain safety and productivity at the same time.

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

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



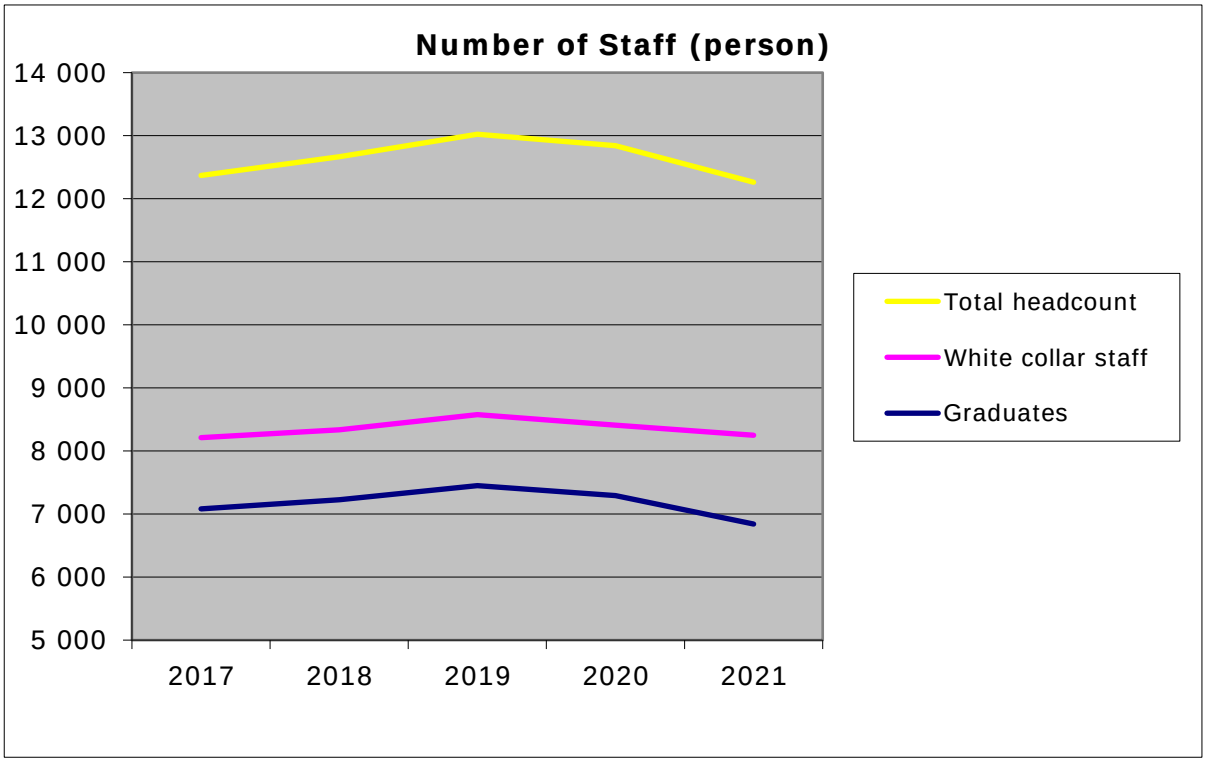
Notes:
* As at 31 December 2020 and 31 December 2021.
** Excluding Hungary.

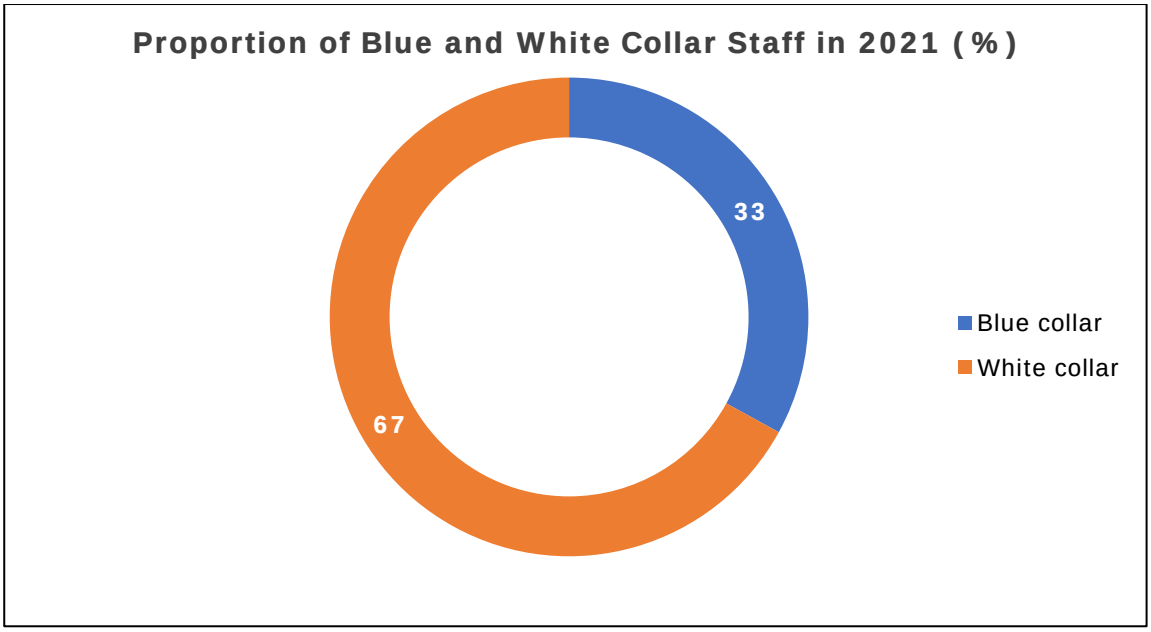
Successful and great companies are defined by people who embrace a shared sense of purpose, put extra energy and passion into their jobs and identify with common goals. That is the kind of engagement we aim for at Richter. We start from a foundation of respect; we passionately believe that a company can perform to the highest level while maintaining a caring, respectful working culture. Taking a genuine interest in people is a fundamental part of that and if we get that right, everything else falls into place.

1.1. Number of Employees

The total headcount for the Group was 12,262 at the end of 2021, a 4.5 percent (580) decrease when compared to 2020.

The number of skilled employees at the Group reduced slightly to 6,841 at the end of 2021, from 7,291 reported in 2020. Graduate educated personnel represented 83 percent of white collar staff and 56 percent of the total number of employees at the Group.





2. Remuneration Policy

2.1. Remuneration and Other Employee Programmes

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

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

Levels were established for different positions which reflect knowledge, problem solving and responsibility, altogether defining the increasing level of complexity of positions and their impact on the Company's effectiveness. The levels were subsequently divided into professional and managerial classifications. Certain levels are parallel with each other and represent not only the managerial career opportunities but also those for professionals.

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

2.2. Remuneration Policy

The purpose of the Remuneration Policy is to provide an incentive for the Company's senior executives to improve their performance in the interest of the Company's profitable operation.

The Remuneration Policy is compatible with efficient and effective risk management. It does not encourage the undertaking of risks beyond the Company's limit of exposure; it is aligned with the Company's business strategy, long-term interests and sustainability, and promotes their realisation and achievement. Through its Remuneration Policy the Company intends to promote the enhancement of its innovation-based economic performance.

Members of the Board of Directors and the Supervisory Board receive a fixed monthly remuneration for serving on the Board. Members of the Board of Directors and the Supervisory Board shall receive no remuneration in this capacity that comprises variable components or performance-based remuneration. After deliberating the proposal of the Remuneration Subcommittee, the Board of Directors shall submit to the Annual General Meeting the proposal for the resolution on the amount of monthly remuneration due for the current business year.

The proposal for the amount of remuneration shall be made in consideration of the Company's financial performance in the previous year and the basic wage increase of employees envisioned for the current year.

Remuneration based on employment may include the following elements.

Fixed elements not linked to performance:

- Basic wage
- Employees' cafeteria benefits
- Company vehicle and fuel card
- Contribution to voluntary pension scheme
- Life and accident insurance
- Corporate health insurance including complex health screening
- Royalty
- Remuneration from subsidiaries
- Other fixed remuneration

Variable elements linked to performance:

Bonus

As the persons concerned undertake priority tasks that have material effect on the Company's profits, the company intends to make them interested in improving profitability and maintaining their employment in a longer term. In light of this, the Company rewards work of outstanding importance or effectiveness with a bonus.

The bonus defined as a certain percentage of the basic wage (fixed remuneration) shall also be determined on the basis of market-related current wage benchmark data, also in consideration of the Company's individual classification system.

Detailed conditions of bonus allocation are contained in the Company's effective bonus regulations. One part of the bonus is related to meeting individual goals, the other part is related to meeting corporate goals.

Extraordinary Premium

The extraordinary premium serves as an a posteriori recognition of employees' outstanding performance in the year to which it refers. The budget available for extraordinary premium is established in consultation with the advocacies in Q4 of the current year, depending on the Company's performance. The amount available annually for variable remuneration is a percentage target of the fixed remuneration. This component of remuneration may be extended to the persons concerned according to the same principles and rules as those pertaining to every employee.

The Company's performance indicators are the expected positive value of consolidated operating profit/loss, which is in the joint interest of every employee including the persons concerned. The maximum amount of extraordinary premium shall be no more than 8 percent of the annual basic wage.

Employee Participation Program (EPP)

The Company has operated an Employee Participation Program (hereinafter: the Program) as a form of remuneration since 2018. Participants in the Program receive financial benefit in cases where the corporate performance criteria set out annually in the remuneration policy or policies (hereinafter: EPP Remuneration Policy) provided for by Act XVIL of 1992 on Employee Participation Programs (hereinafter: the EPP Act) are met. The extent of such remuneration is determined in the EPP Remuneration Policy. Pursuant to the relevant provisions of the EPP Act and Act V of 2013 on the Civil Code, the Company has set up Gedeon Richter Plc Employee Participation Program Organisation (hereinafter: EPP Organisation) for the management of, and benefit payment from, funds that can be acquired in the context of the EPP Remuneration Policy adopted and to be adopted by the Company's Board of Directors. As the supreme powers of the EPP Organisation as a body are not exercised by the Company, it shall be considered independent of the Company pursuant to the provisions of the EPP Act; furthermore, pursuant to the provisions of Act C of 2000 on Accounting, the EPP Organisation shall not be considered as a subsidiary of the Company.

If the statutory provisions do not allow that the EPP Organisation make payments in a given year, the Company may pay a gross amount (payroll cost) premium to participants in the Program with identical terms. Such premium shall be taxed as wage.

Program Related to Employee Share Bonuses

This program is a form of remuneration provided for under Section 77C of Act CXVII of 1995 on Personal Income Tax. The framework and basic conditions of this type of remuneration are provided for in the Act cited (e.g. the ceiling of such allocations is HUF 1m per person per year, a mandatory retention period prescribed for the shares, and senior executives responsible for the preparation of the annual report cannot participate in the program).

Once a resolution is passed on the adoption and implementation of the program related to employee share bonuses, the Company's Board of Directors shall adopt separate regulations on the conditions and detailed rules of participation in the program related to employee share bonuses.

Other

Other forms of premium linked to performance and not listed above include premium based on future market practices or customs, the aggregate amount of which shall not exceed 20 percent of the annual basic wage.

2.4. Benefits

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

Our fringe benefits are very diverse beyond the Cafeteria system:

- Our Company attaches particular importance to financial self-care; therefore, we provide a voluntary pension fund membership fee supplement to our colleagues.

- We take out extensive life and accident insurance for our employees at Signal Insurance Company.

- Despite changes in tax legislation, we continue to provide support for starting school to our employees' children eligible for family benefits.

- Banking agreements: we have contracts with the largest banks in Hungary so that our employees can open employee accounts and receive discounts on bank fees.

- Our employees have the opportunity to take out interest-free housing construction, home purchase and renovation loans.

- GYES (Child Care), GYED (Maternity Leave) benefits: Employees can apply for these through the Richter Welfare Foundation within 3 months of starting active work.

- Our Employee Stock Ownership Plan is a long-term incentive: in recognition of their activities and commitment, our employees, especially our long-term colleagues, can receive Richter stock bonuses under the Plan.

- Our Company recognizes the loyalty of employees who have been employed for more than 10 years with a Gedeon Richter Memorial Certificate and a cash prize.

- In order to retain talented young people, we have developed a long-term insurance scheme, and we strive to provide the best ones with professional career opportunities and mobility options within the organisation.

VIII. Risk Management and Internal Control of the Company

1. Risk Management

1.1. 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 endeavor 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 activity;
- Directors responsible for each strategic pillar are in charge with the management 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 management of operational risks within their scope of activity, while Quality Management and Regulatory Affairs manages various cross-functional risks;
- The Company continuously develops its integrated operational risk management system. The main elements of the operational risk management system are the assessment of strategic risks, the risk and control self-assessment of all main processes and activities, building and managing a risk event database, forming a system of key risk indicators;
- Sales related compliance risks are mitigated through a centralized, separate functional unit;
- Financial risks are mitigated in a centralized manner by the Financial Directorate, with the help of dedicated risk manager, internal regulations, limits and monitoring, risk analyzes and reporting;
- The adequacy of internal risk management procedures is 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;
- The internal audit, risk and compliance functions as internal lines of defense cooperate in order the to reduce the risk exposures of the Company.

The Russian-Ukrainian tension escalated into a war crisis in February 2022, which is described in the "Events after the date of the balance sheet " annex to the Consolidated Financial Statements.

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

Regarding changes of risks during 2021 increasing, decreasing or unchanging risks are also displayed on the following pages.

1.2. Crisis Management related to COVID-19 pandemic

Specific risks linked to the COVID-19 pandemic together with measures taken by the Management during the reported year are presented in detail in Chapter X of this Management Report.

Strategic Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes
The outstanding contribution of Cariprazine to the profits of the Company results in a concentration risk of the income side	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, the occurrence of possible adverse side effects, the introduction of a new competing medicine with a better effect.	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 licensing out agreements with new partners; Strong quality control and support of the continuity of the production.	Increasing risk level
Higher risks associated with CNS (Central nervous system) research projects advancing into later phases	Several 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; Set up of a Preclinical Scientific Advisory Board with the participation of foreign experts to make 'go-no go' decisions; The increase of international presence - depending on the COVID-19 situation – to strengthen partner searching activity.	Unchanged risk level
Licensing and development of Women's Healthcare specialty products in a cooperation with partners	Several parallel specialty development projects should be realized. The expenses and risks are higher when compared with the generic ones.	Concluding complex agreements, cooperation in the development processes with partners, strengthen project management regarding woman health care products and licensing agreements.	Unchanged risk level

Risk area	Description of risks	Major risk management actions taken	Impact changes
Development and marketing of biosimilar products using own and licence partners' resources	A delay in the product launch after the expiry of a patent licence may hinder the return of expenses; Risk of lacking development/commercial partners; Risk of being able to maximise the commercial potential; The risk of supply chain issues is high for biosimilar products; Risk of high-tech equipment and special knowledge in case of product development.	Establishing high-tech biotech capacities, reorganization 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	The level of turnover is jeopardised by the following factors: Governmental price-cutting, interventions, fierce competition on main markets. price erosion and short product cycles; Price reducing activity of social securities; Products falling out from current product portfolio (for example presence of pollutant) or developments are not successful (lack of registration); High income sensitivity of a delay in market entry; Few number of expiring patents, new opportunities; Unfavorable external market environment: RUB/KZT/EUR exchange rates, price policy of different counties, market competition.	Development of well-chosen new generic products and first market introductions on our main geographies, strengthening project management; Improvement of coverage ratios (cheaper production due to the price reduction of active ingredients, new synthesis, technological development); Appropriate diversification (2000 registers, 60 countries).	Unchanged risk level

Risk area	Description of risks	Major risk management actions taken	Impact changes
Protection of traditional product portfolio in a deteriorating market environment results in an income risk	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; The Company has to be compliant with the regulations country by country. Products can be attacked (for example local investigations due to European legislation); In the case of CIS countries, the harmonization of licences is to be expected by 2025. This will increase the risk; The decease of sales might be quicker as planned (for example authority intervention regarding prices). This may have production consequences (plant shutdown).	Higher attention to PV issues, active regulatory-related dialogue with Authorities, carrying out development projects to maintain validation, Life Cycle management; Well-thought-out strategic plan for the products concerned (baseline and adjusted trajectory).	Unchanged risk level
Risk related to climate change, sustainability, environmental awareness	Sustainability, environmental awareness will override operational methods, usable technologies, materials, environmental pollution regulations, but it is not known yet, how it will happen. Many production processes should be rethought in the future. If the Company would delay activity on this field, it could cause significant competitive disadvantage; Consumer habits and preferences will also change, supporting sustainable development. All this can adversely affect our sales revenues and reputation.	Monitoring related changes, complying with new regulations; Establishing even stricter, forward-looking internal regulations and practices than the external prescriptions.	**NEW RISK**

Risk area	Description of risks	Major risk management actions taken	Impact changes
If the Company would give not the right and timely answers on the quick global development of digitalization, it could be faced with income losses, competitive disadvantages.	Artificial intelligence and machine learning have great potential. Digital healthcare (new technologies, applications, (e.g. in silico instead of in vitro / vivo)); Interconnection of databases, inclusion of new data sources (e.g. internet habits); A wide range of application areas may develop in the future, and therapeutic procedures may change; If we do not keep up with this development, we may be at a competitive disadvantage.	Creation of Automation & IT area, IT developments; Searching for collaboration with start-ups; Automation projects.	**NEW RISK**

Pharmaceutical Industry Related Price Reimbursement, Operational and Compliance Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes
Employee health risks and adverse effects of the COVID-19 pandemic on Company operations and the supply chain	Infection and illness of employees; Business continuity risk at daughter companies in countries with low vaccination rates (Romania, Russia); Decreased sales: decreased consumption of certain products (e.g. antivirals) due to reduced doctor contacts (flue, diarrhea); Rare doctor-patient meetings - diagnosis of fewer diseases; Introduction difficulties for new products due to challenges in visiting doctors; The appearance of a dangerous new mutant may worsen the epidemic situation; Personal contact with business partners is more difficult, the risk of R&D delays is higher; Supply chain disruption, postponement or non-acceptance of delivery deadlines.	Operation of a corporate operational strain for rapid adoption of diversified security measures; Stockpiling, review of lead times, preventive and localizing security measures, home office regulation; Mandatory vaccination at Hungarian units; Supporting vaccination facilities (including flue).	Decreasing risk level*
Negative changes in pricing and reimbursement systems in the CEE region, in Russia and in China, claw back liabilities in the European countries	Reducing the price of subsidized and non-subsidized products (price erosion) in the Central and Eastern European region, CIS countries and China may cause a decrease in coverage, and claw-back taxes reduce operating profit. Narrowing the range of supported products in Central and Eastern European countries; The continuous weakening of the RUB, KZT and other currencies in the region	Reduce exposure by introducing new products and focusing promotion on a less endangered product line. Gradual price increase for free price products; Continuous pursuit of strategic revenue goals, fulfil of long-term business plan.	Unchanged risk level *

Risk area	Description of risks	Major risk management actions taken	Impact changes
	reduces our revenues measured in HUF or EUR; Narrowing the range of supported products is a slow European trend - introducing new products, counteracting innovation, no return (e.g. Cariprazine).		
Difficulties in accessing qualified staff in the Central and East European subsidiary companies of the Group	The difficult situation before Covid in recruiting and retaining labor has returned; Compulsory vaccination at Richter further increases the risk; In Russia and Romania, labor problems due to low vaccination rates; In the case of a skilled workforce, the risk is increased by the EU's absorption power. (R&D, medicine and regulatory - high risk); The wage increases of doctors practicing health care causes a challenge in keeping our medical staff; Changing labor needs: appreciation of non-cash benefits, flexible working hours demand for other flexible solutions is a challenge.	Wage increases and the career opportunities helping the long-term commitment to the Company; Starting and supporting own education in some professions; University educational collaborations; Contracting with international headhunters; Relocation of production to Russia as an alternative; Increasing flexibility, adapting to labor market needs, commitment improving solutions; Teleworking for foreigners; Employer branding development; Fluctuation monitoring, search for individual solutions.	Increasing risk level
Sales practices and improper data handling that do not comply with industry ethical standards and applicable laws may result in regulatory penalties and loss of reputation.	Employee behavior that violates the ethical and advertising rules of drug promotion; Non-compliance with GDPR requirements due to unauthorized use of personal data or inadequate data protection; Improper interpretation of the regulations may result in regulatory penalties and loss of reputation.	Compliance program approved by the Board of Directors, annual report to the BoD/ SB; GDPR regulations and preparation; Close cooperation between IT and legal areas; Cooperation between local subsidiary compliance managers and the Parent Company;	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
		Education (with adequate demonstrability); Continuous monitoring.	
The risk of non-compliance with, in some cases extremely high quality and chemical safety requirements for the development and manufacture of medicinal products, inadequate side-effect monitoring may harm the patient and lead to regulatory action, penalties, product recalls, liability damages and reputation losses. Regulatory changes may cause increase of expenses and sales difficulties.	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; Risk of losses caused by side-effects, contamination, manufacturing fault, intentional damage, counterfeiting; Compliance risk of authorization / restriction introduced by EU chemical safety regulation (REACH); Changes in the current regulations in force in our markets (tightening, introduction of new rules) may increase our production expenses, may require new raw materials needs, registration, and new investigations; Changing test methods may shed light on new harmful substances that we need to adapt to; A new risk element is titanium dioxide - efforts are being made at EU level to phase out the substance for human use. It could also affect the pharmaceutical industry in the future; Regulation of injection manufacturing (EU) is expected to be much stricter; The elimination of toxic contaminants became in focus	GMP compliance equipment; Production based on Market Authorization, Quality Assurance; Application of quality assurance systems, SOP controlled operation (continuous monitoring of SOPs); 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; Immediate handling of deviations, including preventive and corrective actions; Examination and qualification of our own systems (internal audit); Emphasis is always placed on the use of the strictest standards, as well as taking into account other non-prescribed issues (e.g. ethical issues like addiction to a medicine); Monitoring regulatory changes, preparations for these, comply to regulations.	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	during regulation. With the development of test methods, more and more pollutants might be detected. The compliance to the expectations might be more and more expensive.		
Risk of ensuring high availability of pharmaceutical and supply system equipment	API manufacturing is a dangerous operation, risk of fire and explosion; Product shortages subsequent to unexpected plant shutdown; Risk of human injury; Individual machine failure leading to lowering output, inspection risk due to obsolescence; Supply system failures.	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; Development of an integrated Business Continuity management system.	Unchanged risk level*
Cyber risk	Risk of damaging information or communication systems; Richter's rapid digitalization and the accelerating growth of cyber activity globally continue to increase risk.	Operation and dynamic development of the IT security area; Education, improving risk awareness (main focus); Introduction of multifactor authentication; Incident monitoring and management; Strong external protection.	Increasing risk level
Occurrence of environmental, occupational safety, explosion and fire incidents related to chemical and pharmaceutical activities. Reputational risk in the event of occurrence	Exposure at work, accident at work, loss of workforce, compensation (human resources); Damage to property; Exceeding environmental exposure limits; Official action, penalty (compliance, reputation).	Application and certification of MEBIR system, continuous risk analysis, risk management, measures; Comprehensive life and accident insurance; Operating corporate environmental organization, Environmental Management System (EMS), monitoring qualification, investments.	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
Product recall risk	We might need to recall one of our products for a variety of reasons. This can lead to loss of sales revenue, loss of market share and loss of reputation. The reasons may be: product failure, manufacturing failure, product replacement, regulatory action, problem of purchased raw material, new issue is revealed about the product.	Strict adherence to standards, control and regulatory requirements, external and internal regulations; Operation of control systems, established work processes (obligation to investigate deviations, root cause analysis, development of preventive solutions, evaluation of the effectiveness of the measures taken); Monitoring of domestic and international regulatory environment and practice; Emphasis is on prevention.	**NEW RISK**
The risk of a power outage could cause plants and Richter in general to shut down	The expected difficulties in Europe's energy supply, the globally growing demand for energy, the scarcity and moderate flexibility of energy supply could even lead to a complete 'blackout' at Richter; Supplying the population has an advantage over industrial companies in the event of overconsumption and / or lack of capacity; In the absence of electricity, almost nothing works for the Company. In the case of a gas shortage, the power supply may also be disrupted, but the operation will be affected by the lack of natural gas in any event; The price of energy is fixed in a contract for the Company in the near future. This is favorable in the current situation. After expiry of the contract expenses may increase significantly.	Establishment of solar parks; Long-term contracts with energy suppliers; Increasing energy efficiency in the production process (e.g. application of lower temperature technology).	**NEW RISK**

Risk area	Description of risks	Major risk management actions taken	Impact changes
Security risk of supply of materials and components	Global supply chain problems are more common. This may also affect Richter (raw materials, packaging) This may be further complicated by transport difficulties (lack of containers, shipping routes); Delivery times may be longer, shipping prices may increase; The above may jeopardize the security of continuous production, increase costs, and generate surplus reserves (materials and assets); Increased demand due to COVID-19 may also cause shortages.	Earlier order; Alternative supplier; Less frequent ordering in larger batches; Increased level stocks.	**NEW RISK**
Risk of legal changes	EU legislation affecting the entire pharmaceutical industry is expected to change. Due to the nature of this, the new legislation may change law enforcement practice, may cause difficulties of legal interpretation, may increase of costs, and may result in non-compliance.	Continuous monitoring of EU legislation, timely preparations	**NEW RISK**
Liability risks	There are a number of high-exposure liabilities arising from Richter's operations that could result in serious claims for damages; Product liability: material and criminal law, the practice of organized common litigation is spreading (USA, Western Europe), an increase in insurance premiums is typical; Employer's liability: exposures to employees (e.g. toxic effects of chemicals, there is no insurance for this), accidents.; With the development of technology, more and more things can be examined, the	Product liability: insurance, agreements; Employer responsibility: insurance, own reserves, health protection, country-specific knowledge, establishment of legal relations; Clinical responsibility: insurance (also abroad); Responsibilities of senior executives: insurance.	**NEW RISK**

Risk area	Description of risks	Major risk management actions taken	Impact changes
	list of substances and activities causing damage may grow; Responsibility for clinical trials; Responsibilities of senior executives.		

Financial Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes
Foreign exchange rate risk of cash flows and financial instruments	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 measured 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; Continuous development foreign exchange hedging practice of the Company; Financial hedging operation only allowed on the basis of authorization granted by the Board of Directors.	Increasing risk level
Buyer credit risk	Certain markets in Richter Group (CIS and other region) 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; Limits set up for buyer; Prepayment request; Operation of the CAS credit management system.	Unchanged risk level *

Risk area	Description of risks	Major risk management actions taken	Impact changes
Risk of managing financial assets (liquidity-counterparty and interest rate risk)	The risk of safe investment scheme for temporary free cash at the Parent Company and subsidiaries; Interest rate risk: Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses); Partner risk: Significant adverse changes in the position of our partners (typically banks) may result in losses; Liquidity risk: The Company is unable or able only at the cost of material financial losses to meet its payment obligations.	At the Parent Company: financial investment regulations, strict compliance, daily limit monitoring, risk manager, reports; Centralized control of free cash of subsidiaries; Interest rate risk: limits (duration), interest rate swaps (protection against increase of rates), continuous monitoring, investment decisions, an increase in spreads may mean some risk; Partner risk: partner limits, concentration limits, involvement of new partners, partner selection, diversified portfolio, diversified assets (ETF), contracting based on ISDA (reduction of legal risks); Liquidity risk: treasury activity, liquidity limits, duration, payment planning, adequate flow of information to treasury, repo transactions, borrowing.	Decreasing risk level*
Taxation related risks	Parent Company: certification of eligibility for tax benefits on basis of R&D and royalty; Group: certification (documentation) of transfer pricing between affiliated companies. Inappropriate reports may result in regulatory penalty; Introduction of a global minimum tax: tax increase risk from 2023; Risk of inadequate tax optimization (overpayment / underpayment).	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; Dedicated tax experts hired.	Decreasing risk level*

Note:

* By improving our risk management activity, we have been able to offset the increase in risk exposure and probability of risk, and we have managed to reduce or eliminate many risks.

IX. ESG Review

1. Environmental Protection

To minimise the environmental load of its manufacturing activities is a priority task for Richter, therefore the most state-of-the-art technologies are applied in order to continuously decrease negative environmental impacts.

The different manufacturing activities involve largely varied environmental risks and actual impacts:

- API manufacturing is essentially a chemical activity. Only a small proportion of the materials used are actually incorporated in the high-purity end product, therefore these non-recyclable materials used in chemical technologies present the greatest environmental load and risk.

- Due to its nature, biotechnology-based manufacturing does not require the use of large quantities of environmentally harmful substances, therefore it involves little environmental load and low environmental risk.

- Packaging is part of pharmaceutical manufacturing, where most of the materials used are built in the product. Here again, the environmental load and risk are minor.

Richter's guidelines on environmental protection are laid down in the Environmental Policy and are implemented through the Environmental Management System (KIR) awarded an ISO 14001 certificate. In 2021 KIR was successfully audited for renewed ISO 14001 certificate.

The KIR analyses and manages risks affecting the environment, particularly the natural environment, in according with the provisions of the ISO standard (emission limits, data supply, and the requisite licences). Functioning and risk management under the KIR is verified through annual inspection audits by an independent certifying body.

Richter compiles its environmental performance indicators in accordance with the Global Reporting Initiative (GRI) Guidelines and publishes them along with the measures implemented and planned and their evaluation in a yearly Sustainability Report available on the Internet.

The environmental management system implemented at our Romanian subsidiary has been successfully certified. At the Russian company, the control of emissions has been further strengthened. Following their integration of the 2020 developments into the regulatory framework, the legal and licensing background were also completed.

2. Occupational Health and Safety

A typical source of hazard at Richter's production facilities is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs).

Richter has been constantly working on optimising its health and safety processes; as a result of the 2021 passed revision audit of the Occupational Safety and Health Management System (MEBIR) under Hungarian Standard MSZ ISO 45001:2018 by the supervisory agencies, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules and regulations. The Company has kept its MEBIR processes running amidst the COVID pandemic.

Operating in accordance with environmental standards is a priority for Richter Group particularly in countries where the Group has production facilities. These companies operate in different countries and encounter different problems and differing regulatory environments. On the basis of their activities and production volumes the environmental load and hazard they represent is lesser than those of the Parent Company.

Operation of the production subsidiaries is in full conformity with the environmental, health and safety regulations, as proved by regular inspections by the competent authorities.

There was no technology related serious or mass accidents in 2021, no deficiencies of note were found by the relevant authorities, and no fine was imposed. Employees apply individual protective devices on an ongoing basis.

3. Human Resource Management

One of Richter Group's strategic goals is to develop operability with an organization that is best suited to a changing environment, tasks and ever greater challenges. Human resource, the people who are the foundation of the Group's continued success in business and science play a key part in this effort.

Careful recruitment policies are critical for enhancing and sustaining Richter's performance. Supporting the professional development and improving the quality of life of staff and retention of high performers are priority tasks in the interest of achieving the business goals, and involve IT skills and language proficiency development in addition to the in-service training required by the regulatory authorities.

The Group is aiming at providing equal employment opportunities and strives to treat all applicants and employees equally irrespective of their racial or ethnic background, colour, religious conviction, origin, sex, sexual orientation or identity and its manifestation, age, nationality, family status, pregnancy, family planning or related health status, genetic traits, military service, health status or other traits described in the relevant statutory provisions.

Professional and management career opportunities are open for all Richter Group's employees.

4. Policy of Diversity

In its operation Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success and believes that the Company's success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual's personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Company's commitment to diversity as best as possible. Diversity is a tenet at all levels of Richter's operation; when drafting internal regulations, the Company strives to shape the corporate environment to meet this principle.

To implement the Company's views in practice, on 28 May 2018 was adopted and on 21 June 2018 was announced by the Board of Directors the Diversity Policy regarding the Company's leading bodies, i.e the Executive Board, the Board of Directors and the Supervisory Board. The Diversity Policy accepted for five-year periods, with implementation which is closely tracked by the Board, determines the diversity aspects and objectives applicable for the Company's business management, executive and supervisory bodies.

In the spirit of diversity, when selecting membership of the Company's leading bodies priority will be given to knowledge related to Richter's main business, expertise in the economic, social and environmental contexts of the Company's operation, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in the pharmaceutical industry as well as finance and economics; Richter, therefore, makes an effort to have members with appropriately diverse professional backgrounds serving on its leading bodies. The goals formulated in the Policy in conjunction with the leading bodies envision that

- both sexes should be represented among the members to the extent that the aggregate rate of women should be at least 30 percent,
- the age distribution of members should be balanced, and
- members should also include gifted under-50 persons with appropriate competences.

The Company pays attention to the considerations and goals determined in the Policy when nominating members to the Board of Directors, the Supervisory Board and the Audit Board, and when selecting members and planning potential successors to serve on the Executive Board. As a public limited company, Richter has no power other than nominating members on the company's boards; their election is the exclusive competence of the AGM.

At the same time, the Board of Directors always urges the involvement of women and the age-related diversification of members besides the consideration of appropriate professional and personal competences when nominating and electing members to serve on the specialist boards. Accordingly, the participation of women is over 30 percent in all of the boards, including the newly created ESG Subcommittee set up in December 2021.

In 2021, pursuant to Section 5 (1) and Section 9 of Government Decree 502 of 2020 (16 November) on the re-introduction of special rules to be applied by personal and property joint ventures during the emergency period, the Board of Directors, acting within the powers of the General Meeting, took decisions regarding the composition of the Board of Directors. There was no significant change in the breakdown by age of the Board as a result of the decisions.

Women's 30 percent participation in the Supervisory Board remained unchanged throughout 2021.

5. Global Compliance Program

The Global Compliance Program was introduced by Richter in November 2016 with the main goal of following, compliance and enforcing compliance with European and national regulations, industrial standards, and international business standards and ethics. As a first step the Global Compliance Program was introduced in Hungary and in the European Economic Area states. In 2018 and in 2019 the Program was extended to Latin American countries, and to the subsidiaries and representative offices in the CIS member states. As part of the extension of the Program, relevant chapters of the Compliance Handbook were translated into the local languages and were adapted to the local environments so that they become enshrined in local rules and regulations. Once compliance education and training materials had been localised, local staff could undergo the necessary training.

Richter's Code of Ethics provides for all employees to respect the human rights laid down in relevant international agreements and local legislation and regulations. Richter strongly condemns trafficking in human beings, any form of exploitation of children and forced labour, and seeks to prevent all such activities within the scope and supply chain. Furthermore, Richter strictly prohibits cruel or degrading treatment of its employees.

The two chapters Business Conduct and Transparency Policy of the Compliance Handbook provide for the fight against corruption and set out the principles regarding bribery. Chapter One (Anti-bribery and corruption) contains detailed rules Richter's employees (including its officers) must comply with. These rules are aimed at avoiding active and passive involvement in corruption. After this general chapter two chapters address the two main risk areas in the pharmaceutical industry: contacts with health professionals, and pharmaceutical promotion. In its contacts with health professionals Richter strives to observe the strictest rules of integrity, and to meet the most rigorous statutory provisions and regulations in every respect.

The last chapter of the Handbook presents the transparency principles and practices prescribed by the self-regulating pharmaceutical organization Medicines for Europe. Transparent relationship and connections between Richter and patient organisations, health professionals and service providers promote informed decisions. As a member of Medicines for Europe, Richter commits to publish payments and benefits provided to, and agreements concluded with, patient organisations, health professionals and service providers. A transparency report was published for 2020, at the end of June 2021.

Compliance with Richter's Anti-corruption Handbook is crucial not only with respect to our employees but also to every member of the Company's entire supply chain. All our third-party contracts contain an anti-corruption clause which reflects the provisions of the Anti-corruption Handbook and whose acceptance is an integral condition of contracting.

Richter expects all its employees, consultants, representatives, suppliers and other business partners to observe the standards set out in the Compliance Handbook. In keeping with the Program a Compliance Hotline is operated by the Legal and Global Operations Management, it functions as a Group level system for handling reports related to the Compliance Handbook. Staff report abuse or ethical violation they experience by e-mail or phone, if necessary, anonymously. Over the past years, the use of the Compliance Hotline has become widely accepted; employees ask questions regarding the Compliance Manual and the Global Compliance Program with increasing frequency.

The Member States were required to bring into force the provisions necessary to comply with Directive (EU) 2017/1937 of the European Parliament and of the Council on the protection of persons who report breaches of Union law by 17 December 2021. The Directive sets out more stringent regulations compared to Hungarian legislation regarding the procedure to be followed in handling reports on breaches of Union law, in order to ensure high-level protection to whistleblowers. To comply with the Directive, on 21 December 2021 Richter introduced Richter VCO, a centralised Virtual Compliance Officer System for the anonymous online reporting, by staff and external partners, of breaches including ethical breaches and infringement of statutory provisions, to be investigated and managed by the Legal and Global Operations Management in accordance with the relevant legal regulations. Compliance with the EU Directive requires the extension of Richter VCO across Richter Group so that every affiliated company operating in the territory

of the EU can join the central Richter VCO system. Besides Richter VCO the Compliance Hotline reporting facilities continue to be in use.

In recent years the Compliance Hotline received several reports of conflicts of interest, therefore the Company drafted its Conflict of Interest Regulations, which entered into effect in H1 of 2020. The purpose of the Regulations is to draw employees' attention to potential conflicts of interest, to prevent conflicts of interest or manage them once they arise. In 2021 the Conflict of Interest Regulations were introduced with the necessary training at the level of foreign affiliates as part of the Global Compliance Programme.

The 2021 compliance training acquainted the Company's staff with the legal regulations governing their activities and good practices to be followed, taking into consideration the 2020 decisions of the regulatory authority OGYÉI (National Institute of Pharmacy and Nutrition), as well as the changes in legislation applicable to the pharmaceutical industry and in the Codes of self-regulatory bodies since 2020.

Regular semi-annual Compliance & Data Privacy Dotted Line Reporting was introduced in 2020. The goal is to forge closer connections between the Company and the subsidiaries, and to improve the transparency of subsidiaries' compliance and data protection activities. The 2020 group of reporting countries saw the addition of the Latin American region and Australia in 2021, bringing the number of responding countries up to 32.

Richter intends to further strengthen the compliance function, which will help the parent company exercise a higher level of control in Richter Group's geographical area of operation through an international compliance network.

X. Information on COVID-19 Pandemic

1. COVID-19 Crisis Management

In the second year of the COVID-19 pandemic we continue to regularly provide a brief update of its impact on the health and wellbeing of our employees and on our operations at large.

Euromonitor International finds that the global economy is now experiencing a fast recovery and in terms of economic output, employment and household consumption at pre-pandemic levels have been reached in the majority of the countries included in their study. Nevertheless, in the majority of the countries economic outlook deteriorated in the last quarter of the year when compared to the third quarter 2021. Eurozone and North American countries have been reintroducing restrictive measures as a response to the rapid spread of omicron, a most virulent COVID-19 virus mutation. It is still likely that the world economy will keep growing at an exceptionally strong pace although at the same time the recovery is expected to be highly uneven.

In early 2021, Hungary experienced a severe third wave of the pandemic, with high infection and mortality rates causing the government to extend measures taken during the second wave, including restrictions on hospitality facilities. Since then, one of the fastest vaccine rollouts in Europe has helped to improve the health situation, allowing the authorities to start gradually lifting restrictions in April 2021. A rapid spread of the omicron mutation of the virus which occurred in the fourth quarter resulted once more in restrictive measures implemented in Hungary by the end of 2021, early 2022. Post year end measures announced in January 2022 connect the validity of vaccination certificates to second shots taken within a period not exceeding 6 months or to a third booster vaccine.

Notwithstanding the above, Richter delivered on time and in full to all its customers during the last quarter 2021. The health and wellbeing of our colleagues remained the focus of Management, with the supply of reputed and affordable medication maintained worldwide throughout the entire reported period. Post year end and taking into account the higher rate of infections related to the fourth wave of the pandemic availing itself with the right as empowered by the Government of Hungary Richter's Management introduced compulsory vaccination across all of its Hungarian sites with effect from 15 January 2022.

Promotional activities did not change significantly in the last quarter 2021 when compared to the previous period. In-person promotion remained at around 85 percent on an average of total marketing approaches in our geographies with direct sales operations.

2. COVID-19 Therapeutic Developments

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

2.1. Remdesivir

In order to address the COVID-19 pandemic in 2020 Richter contributed with a record speed completion of the development of remdesivir, an agent to be used in antiviral clinical trials. Efficacy of remdesivir was also proven by an authorisation issued by FDA (Food and Drug Administration) in October 2020, which approved the compound for the treatment of COVID-19 infections.

The Company has further scaled up its DS and DP manufacturing capacities during 2021, and the resulting batches have been submitted for clinical trials with manufacturing having therefore prepared for the future commercialisation of the generic product.

2.2. Vaccine – Contract Manufacturing

Contract manufacturing of the DNA based vaccine of INOVIO will be produced by Richter's joint venture in Germany, while the filling of the cartridges is going to be carried out at our site in Debrecen. The product dubbed INO-4800 does not have yet a marketing approval and it is unlikely it can reach vaccination centres by the end of 2022.

2.3. Favipiravir

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

We have proceeded to the finalisation of the manufacturing technology during 2021. Should there be any commercial need Richter will be able to commence the manufacturing of this API, however, there was no such need identified in the year under review.

2.4. Fusion Protein

Richter has also participated along with other members in the work of a consortium aiming towards the development into a drug of a fusion protein that may be effectively used against the COVID-19 virus. Richter's task is to develop the manufacturing technology and its scaling-up.

Further details about this project can be found in Chapter V.6 on 'Biosimilars Business' of this report.

2.5. Tocilizumab – Future Opportunity

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

GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Gábor Orbán

Chief Executive Officer

Budapest, 9 March 2022

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Consolidated Income Statement

for the year ended 31 December

	Notes	2021 HUFm	2020 HUFm
Revenues	**5**	**630,595**	**566,776**
Cost of sales		(281,322)	(248,006)
Gross profit		**349,273**	**318,770**
Sales and marketing expenses		(114,596)	(105,555)
Administration and general expenses		(28,665)	(28,211)
Research and development expenses		(61,005)	(53,977)
Other income and other expenses (net)	5	(9,493)	(17,267)
Reversal of impairment on financial and contract assets		318	1,329
Profit from operations	**5**	**135,832**	**115,089**
Finance income	6	30,106	28,780
Finance costs	6	(22,473)	(29,605)
Net financial income / (loss)	**6**	**7,633**	**(825)**
Share of profit of associates and joint ventures	16	3,110	900
Profit before income tax		**146,575**	**115,164**
Income tax	7	(5,395)	(9,112)
Profit for the year		**141,180**	**106,052**
Profit attributable to			
Owners of the parent		139,626	104,683
Non-controlling interest		1,554	1,369
Earnings per share (HUF)	8		
Basic and diluted		751	563

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements.

9 March 2022

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Chief Executive Officer

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2021 HUFm	2020 HUFm
Profit for the year		**141,180**	**106,052**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial gain/(loss) on retirement defined benefit plans	36	631	(1,707)
Changes in the fair value of equity instruments at FVOCI	19	2,154	(1,077)
		2,785	**(2,784)**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Exchange differences arising on translation of subsidiaries		8,626	(591)
Exchange differences arising on translation of associates and joint ventures	16	(53)	(103)
Fair value loss on cash-flow hedges	11	(23)	-
Changes in fair value of debt instruments at FVOCI	19	(1,620)	-
		6,930	**(694)**
Other comprehensive income for the year		**9,715**	**(3,478)**
Total comprehensive income for the year		**150,895**	**102,574**
Attributable to:			
Owners of the parent		149,092	100,725
Non-controlling interest		1,803	1,849

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements.

9 March 2022

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Chief Executive Officer

Consolidated Balance Sheet - Assets

	Notes	31 December 2021 HUFm	31 December 2020 HUFm
Non-current assets			
Property, plant and equipment	12	278,394	254,121
Investment property	13	110	110
Goodwill	14	35,005	31,398
Other intangible assets	15	220,915	141,303
Investments in associates and joint ventures	16	10,800	12,269
Non-current financial assets at amortised cost	17	5,335	1,171
Non-current financial assets at FVTPL	18	93,758	10,797
Non-current financial assets at FVOCI	19	73,274	38,216
Deferred tax assets	20	12,285	7,139
Long-term receivables	21	2,784	2,547
		732,660	**499,071**
Current assets			
Inventories	22	131,349	110,059
Trade receivables	23	184,760	152,652
Contract assets	24	3,865	3,080
Other current assets	25	30,474	27,162
Current financial assets at amortised cost	26	912	371
Current financial assets at fair value	27	296	7,142
Current tax asset	28	1,110	1,196
Cash and cash equivalents	29	59,856	142,068
Assets classified as held for sale	50	-	5,788
		412,622	**449,518**
Total assets		**1,145,282**	**948,589**

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements.

9 March 2022

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Chief Executive Officer

Consolidated Balance Sheet – Equity and liabilities

	Notes	31 December 2021 HUFm	31 December 2020 HUFm
Capital and reserves			
Equity attributable to owners of the parent			
Share capital	30	18,638	18,638
Treasury shares	31	(2,862)	(3,791)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	30	29,363	21,039
Revaluation reserves for financial assets at FVOCI	30	1,346	974
Cash-flow hedge reserve	30	(23)	-
Retained earnings		849,735	751,408
		914,886	**806,957**
Non-controlling interest	32	8,136	6,982
		923,022	**813,939**
Non-current liabilities			
Deferred tax liability	20	3,798	1,753
Non-current financial liabilities at FVTPL	33	63,819	805
Lease liability	34	12,722	10,754
Other non-current liabilities and accruals	35	12,830	6,747
Provisions	36	5,878	6,653
		99,047	**26,712**
Current liabilities			
Trade payables	38	79,638	65,838
Contract liabilities	39	1,593	772
Current tax liabilities	28	2,722	1,993
Current financial liabilities at FVTPL	40	3,277	4,014
Lease liability	34	4,595	3,802
Other current liabilities and accruals	41	28,267	24,918
Provisions	36	3,121	4,866
Liabilities directly associated with assets classified as held for sale	50	-	1,735
		123,213	**107,938**
Total equity and liabilities		**1,145,282**	**948,589**

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements.

9 March 2022

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Chief Executive Officer

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 financial assets 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 1 January 2020		**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	16	-	-	-	-	-	(103)	-	(103)	-	(103)
Actuarial loss on retirement defined benefit plans	36	-	-	-	-	-	-	(1,707)	(1,707)	-	(1,707)
Changes in the fair value of financial assets at FVOCI	30	-	-	-	-	(1,077)	-	-	(1,077)	-	(1,077)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		-	-	-	-	(6,569)	-	6,569	-	-	-
Total comprehensive income for year ended 31 December 2020		**-**	**-**	**-**	**-**	**(7,646)**	**(1,174)**	**109,545**	**100,725**	**1,849**	**102,574**
Purchase of treasury shares	31	-	-	-	(1,650)	-	-	-	(1,650)	-	(1,650)
Transfer of treasury shares	31	-	-	-	1,729	-	-	(1,729)	-	-	-
Recognition of share-based payments	30	-	-	-	-	-	-	1,642	1,642	-	1,642
Ordinary share dividend for 2019	43	-	-	-	-	-	-	(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 117-225 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for financial assets at FVOCI	Foreign currency translation reserves	Cash-flow hedge reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2021		**18,638**	**15,214**	**3,475**	**(3,791)**	**974**	**21,039**	**-**	**751,408**	**806,957**	**6,982**	**813,939**
Profit for the year		-	-	-	-	-	-	-	139,626	139,626	1,554	141,180
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	8,377	-	-	8,377	249	8,626
Exchange differences arising on translation of associates and joint ventures	16	-	-	-	-	-	(53)	-	-	(53)	-	(53)
Actuarial gain on retirement defined benefit plans	36	-	-	-	-	-	-	-	631	631	-	631
Changes in the fair value of financial assets at FVOCI	30	-	-	-	-	372	-	-	162	534	-	534
Change in fair value of hedging instruments recognised in OCI	30	-	-	-	-	-	-	(23)	-	(23)	-	(23)
Comprehensive income for year ended 31 December 2021		**-**	**-**	**-**	**-**	**372**	**8,324**	**(23)**	**140,419**	**149,092**	**1,803**	**150,895**
Purchase of treasury shares	31	-	-	-	(819)	-	-	-	-	(819)	-	(819)
Transfer of treasury shares	31	-	-	-	1,748	-	-	-	(1,748)	-	-	-
Recognition of share-based payments	30	-	-	-	-	-	-	-	1,590	1,590	-	1,590
Ordinary share dividend for 2020	43	-	-	-	-	-	-	-	(41,934)	(41,934)	-	(41,934)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(206)	(206)
Sale of subsidiary	50	-	-	-	-	-	-	-	-	-	(443)	(443)
Transactions with owners in their capacity as owners for year ended 31 December 2021		**-**	**-**	**-**	**929**	**-**	**-**	**-**	**(42,092)**	**(41,163)**	**(649)**	**(41,812)**
Balance at 31 December 2021		**18,638**	**15,214**	**3,475**	**(2,862)**	**1,346**	**29,363**	**(23)**	**849,735**	**914,886**	**8,136**	**923,022**

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements.

Consolidated Cash-Flow Statement

for the year ended 31 December

	Notes	2021 HUFm	2020 HUFm
Operating activities			
Profit before income tax		146,575	115,164
Depreciation and amortisation	5	44,922	39,846
Non-cash items accounted through Income Statement		(1,425)	(2,031)
Net interest and dividend income	6	(3,568)	(1,504)
Changes in provision for defined benefit plans	36	(8)	703
Reclass of results on changes of property, plant and equipment and intangible assets		(939)	767
Gain on disposal of subsidiaries	50	(1,391)	-
Impairment recognised on intangible assets and goodwill	14,15	2,591	8,256
Expense recognised in respect of share-based payments	30	1,590	1,642
Movements in working capital			
Increase in trade and other receivables		(36,470)	(3,341)
Increase in inventories		(20,983)	(13,900)
Increase/(Decrease) in payables and other liabilities		17,173	(4,545)
Interest paid		(27)	(22)
Income tax paid	7	(8,136)	(7,515)
Net cash-flow from operating activities		**139,904**	**133,520**
Cash-flow from investing activities			
Payments for property, plant and equipment*		(46,127)	(36,903)
Payments for intangible assets*		(97,170)	(29,735)
Proceeds from disposal of property, plant and equipment		1,857	432
Government grant received related to investments		693	2,197
Payments to acquire financial assets		(143,206)	(47,454)
Proceeds on sale or redemption on maturity of financial assets		30,998	10,807
Disbursement of loans net		(1,294)	848
Interest received	6	2,950	915
Dividend received	6	9	2
Net cash inflow from disposal of subsidiaries	50	2,118	-
Net cash-flow to investing activities		**(249,172)**	**(98,891)**
Cash-flow from financing activities			
Purchase of treasury shares	31	(819)	(1,650)
Dividend paid	43	(42,140)	(13,500)
Principal elements of lease payments		(2,055)	(3,143)
Repayment of borrowings		(244,846)	-
Proceeds from borrowings		315,119	-
Net cash-flow from/(to) financing activities		**25,259**	**(18,293)**
Net (decrease)/increase in cash and cash equivalents		**(84,009)**	**16,336**
Cash and cash equivalents at beginning of year		**142,068**	**128,573**
Effect of foreign exchange rate changes on the balances held in foreign currencies		1,603	(2,647)
Cash and cash equivalents at end of year**	**29**	**59,662**	**142,262**

* The Payments for property plant and equipment and the Payments for intangible assets cannot be directly reconciled to the Note 12 Transfers and capital expenditure and Note 15 Additions, because the latter one contains non-material, non-cash addition of the assets, including transfers.

** Cash and cash equivalents at end of year cannot be reconciled directly to Cash and cash equivalents of the Consolidated Balance sheet due to year end figure of Cash and cash equivalents did not contain the total cash of held for sale companies.

The notes on pages 117-225 form an integral part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. General background

1.1 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.

1.2 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 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 or in the relevant note. Please see details of the application of the new accounting policies in Note 51.

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.

1.3 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 23 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 Note 9.

The violent exchange rate swings caused by the COVID pandemic in 2020 were no longer significant in 2021. As economies adapted to the pandemic, the impact of COVID was integrated with the multitude of factors affecting exchange rates, so that the Group no longer faced a significant COVID-specific exchange rate risk in 2021.

The Group did not make use of the single lessee accounting model introduced by IFRS 16 lease accounting standard. Disclosures in respect of right-of-use assets are reported in Note 12, and lease liabilities are disclosed in Note 34.
As regards sales, demand continues to fall behind the levels of previous years due to restrictions on doctor-patient encounters, although there was some improvement compared to 2020. Supply was also lower than in the past due to stricter regulation of promotional activity based on face-to-face visits. Nevertheless, the proportion of face-to-face visits improved compared to the reference year. 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 22.

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 2020 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. However, in 2021 there were no payments similar to those made in 2020.
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. A similar subsidy (HUF 441 million) was allocated in the context of the Economic Development and Innovation Operational Programme EDIOP-5.3.16 – Competitive Central-Hungary Operational Programme CCHOP-20 supporting employment in the RD&I sector during the state of danger pursuant to Government Decree 693 of 2020 (29 December).
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. In 2021, the Company continued to provide a number of grants to health care institutions in an effort to help them fill equipment shortages consequent to the pandemic, and to help educational institutions purchase computers and IT equipment for distance learning.
In 2021, the members of Richter's Board of Directors and Supervisory Board, together with the Company, donated HUF 12 million to the István Regőczi Foundation, which provides assistance to orphans of parents who died of the coronavirus. In addition, Richter Directors and SB members donated one month's honorarium, totalling HUF 6 million, to the National Ambulance Service.

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.

1.4 Adoption of new and revised standards

A) The following standards and amended standards became effective for the Group from 1 January 2021, but did not have any material impact on the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" - 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 - adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 "Leases" – COVID-19-Related Rent Concessions beyond 30 June 2021 - adopted by EU on 30 August 2021 (effective for annual periods beginning on or after 1 April 2021).

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

- Amendments to IFRS 3 "Business Combinations"; IAS 16 "Property, Plant and Equipment"; IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Annual Improvements (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (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 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 (effective for annual periods beginning on or after 1 January 2023),

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):

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- IFRS 17 "Insurance Contracts" Initial Application of IFRS 17 and IFRS 9- Comparative Information (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),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

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.

2.1 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 interest 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.

2.2 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.
In special cases (in the absence of the above, or if the scheduling of daily transaction tasks do not allow waiting for the publication by Bloomberg of the transaction currency to USD exchange rate referred to above), the conversion into HUF shall be carried out at the cross rate calculated from the transaction currency to USD rate published by the national bank issuing the transaction currency and the functional currency to USD rate published by the MNB.
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.

2.3 Revenue recognition and interest income and dividend income

Revenue is measured at the fair value of the consideration received or receivable to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. 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 from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Some of the customer contracts contains a right of return clause under certain condition, but the estimated effect of such future returns deemed to be immaterial. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Variability mainly relates to the discounts referred above, where revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

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 activity of purchased products within the pharmaceutical industry
- royalty and license income from products already on the market arising from license agreements with various pharmaceutical companies,
- performance-related milestone payments 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 recognized when it is likely that the Group, satisfies a performance obligation by transferring a promised goods to a customer. For the vast majority of contracts, revenue is recognized when the product is physically transferred and the customer obtains control, in accordance with the delivery and acceptance terms agreed with the customer.
Control refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the good. Obtaining control implies the ability to prevent other entities from directing the use of and obtaining the benefits from a good. The Group most often uses the following trade terms: CIP, EXW, CIF, FOB, DAP, DDP, CPT.

In the case of contracts with wholesalers, Group does not recognize revenue when the product is physically transferred to the wholesaler if the products are sold on consignment, or if the wholesaler acts as agent. In such cases, revenue is recognized when control is transferred to the end customer.
In certain cases, the Group has contract with customers, under which the Group produces pharmaceutical products which has no alternative use (e.g. due having a unique packaging) and receives a binding purchase order for the entire batch of products from the customer. This can provide the Group with an enforceable right to the payment for performance completed to date and in that case the Group accounts for the revenue over time.

Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods transferred. The Company 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.
C) Licenses and royalties

The royalty and licence income mainly comprise royalties received from licensing intellectual property rights to third parties, the most significant of which is the agreement with AbbVie in relation to Vraylar® as disclosed in Note 4.
Sales-based royalties received under licensing arrangements (including the Vraylar® contract referred above) are recognized over the period during which the underlying sales are recognized.
Certain contracts may include milestone payments related to products with marketing authorisation (e.g., cumulative sales related milestone), where the associated revenue is accounted for when such a milestone is achieved.

D) 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.
The revenue from the services is recognised in accordance with the rate of completion of the transaction during the accounting period for the rendering services and is assessed based on direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

E) 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.

F) 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.

All other accounting policy regulation are detailed in the relevant disclosure of the Consolidated Financial Statement.

3. Key sources of estimation uncertainty and critical accounting judgements

In the application of the Group's accounting policies 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

Russian-Ukrainian crisis

The recent political situation in Ukraine has been volatile, with changes in the Ukrainian Parliament and the Presidency. After March 2014, the accession of the Republic of Crimea to the Russian Federation resulted in a significant deterioration of the relationship and eventually war conflict between Ukraine and the Russian Federation.

In 2022 ongoing political tension in the region escalated as a result of further developments of the situation between Russia and Ukraine and Russian invasion which could negatively impact the foreign exchange rates of Russian ruble and Ukrainian hryvnia and commodity and financial markets, increase volatility and uncertainty and result in further sanctions or limitations on business activity of companies operating in the region.

Final resolution of the political and economic crisis in Ukraine and the final effects are difficult to predict but all of these may have further significant impact on the region's economy and the Group's business.

On the balance sheet date, the Group has an exposure on the following items in the balance sheet in connection with Russian and Ukrainian subsidiaries:

Exposure factors (HUFm)	**Russia**	**Ukraine**	**Total**
Property, plant and equipment	19,121	491	**19,612**
Other intangible assets	132	1	**133**
Trade receivables	28,951	-	**28,951**
Inventories	22,485	2	**22,487**
Cash and cash equivalents	2,202	8	**2,210**
All exposures	**72,891**	**502**	**73,393**

In addition, the involvement of the Parent Company is the most significant (among the members of the Group), as it handles most transactions with the Russian and Ukrainian subsidiaries.

Exposure factors at the Parent (HUFm)	**Russia**	**Ukraine**	**Total**
Loans given to subsidiaries	17,191	70	**17,261**
Trade receivables	35,123	5,094	**40,217**
- *from this: amounts due from subsidiaries*	*27,203*	*0*	***27,203***
Inventories	2,139	3,207	**5,346**
Cash and cash equivalents	5,421	0	**5,421**
All exposures	**59,874**	**8,371**	**68,245**

In 2021 the sales to the two countries amounted to 15.8% of the Group's total revenue (HUF 99,609 million).

	Russia	**Ukraine**	**Total**
Revenue in 2021 (HUFm)	85,086	14,523	**99,609**
Proportion of the total revenues	*13.5%*	*2.3%*	*15.8%*

It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. It has been mentioned that a possible future sanction would be to restrict Russian entities from having access to the EUR and US$ markets including removing access to the international SWIFT system and in such a situation this could further impact the Group's ability to transfer or receive funds. Management does not consider the risk related to the logistics and supply chain to be critical at this moment. As for the Company's subsidiaries in Russia, they together have significant reserves that ensure their continuous operations. In addition, it is not possible for management to predict with any degree of certainty the impact of all this uncertainty on the future operations of the Group.

Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 14). 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 14.

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 2021 would be greater by HUF 4,487 million. This change would have been HUF 3,961 million in 2020.

The Group recorded depreciation and amortisation expense in the amount of HUF 40,291 million and HUF 35,658 million for the years ended 31 December 2021 and 2020, 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 4,631 million) comparing to the depreciation of the fixed assets (HUF 40,291 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 48.

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.
Finally, in December 2021 the High Court of Cassation and Justice has ruled in favour of Pharmafarm in the claw-back tax litigation and after that the National Authority of Fiscal Administration issued the decision to cancel the claw-back tax for Pharmafarm.

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 at the end of 2021, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged.

3.2 Critical judgements in applying entities accounting policies

Deferred tax at Parent Company

The Company has significant deferred tax asset related to the deductible temporary differences of the tax loss carried forward. Deferred tax assets should be recognized for accrued unused negative tax bases to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised.

Following a significant improvement in the financial performance in 2021, the Company reviewed the previously unrecognized tax losses and determined taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of HUF 2,790 million was recognized for these losses in 2021. The deferred tax expense in presented in Note 20.

4. Segment Information

Accounting policy
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.
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.

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.

4.1 Business segments

	Pharmaceuticals HUFm		Wholesale and retail HUFm		Other HUFm		Eliminations HUFm		Total HUFm	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
3rd party revenues	495,496	446,066	134,205	119,775	894	935	-	-	630,595	566,776
Inter segment revenues	9,523	11,198	8	4	6,256	5,984	(15,787)	(17,186)	-	-
Revenues	**505,019**	**457,264**	**134,213**	**119,779**	**7,150**	**6,919**	**(15,787)**	**(17,186)**	**630,595**	**566,776**
Profit from operations	135,047	114,482	465	975	386	238	(66)	(606)	135,832	115,089
Total assets	1,219,984	1,021,643	71,380	66,657	4,104	3,893	(150,186)	(143,604)	1,145,282	948,589
Contract assets	3,865	3,080	-	-	-	-	-	-	3,865	3,080
Total liabilities	184,554	97,292	61,008	55,641	1,043	978	(24,345)	(19,261)	222,260	134,650
Contract liabilities	1,593	772	-	-	-	-	-	-	1,593	772
Capital expenditure*	142,460	65,733	595	693	262	214	(20)	(2)	143,297	66,638
Depreciation and amortization**	43,435	38,307	1,288	1,344	199	195	-	-	44,922	39,846
from this: IFRS16 related	3,873	3,457	758	731	-	-	-	-	4,631	4,188
Share of profit of associates and joint ventures	1,972	(719)	1,211	1,398	(46)	22	(27)	199	3,110	900
Investments in associates and joint ventures	553	2,314	9,113	8,747	1,266	1,312	(132)	(104)	10,800	12,269

* See in the Consolidated Cash-flow Statement.
** See Note 12,15 and in the Consolidated Cash-flow Statement.

4.2 Entity wide disclosures

2021	Hungary	CIS	Europe*	USA	China	Latin America	Other countries	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Timing of revenue recognition								
At a point in time	43,587	134,917	251,290	12,102	15,592	13,192	24,665	495,345
Over time	791	429	12,152	110,889	-	4,410	6,579	135,250
Revenues	**44,378**	**135,346**	**263,442**	**122,991**	**15,592**	**17,602**	**31,244**	**630,595**
Total assets	887,922	70,485	155,943	4,152	1,987	10,210	14,583	1,145,282
Capital expenditure	127,152	3,962	11,488	-	-	235	460	143,297

2020	Hungary	CIS	Europe*	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

* As of 1 January 2021 the United Kingdom left the European Union. Consequently, Richter modified the name of the geographical regions used earlier in the breakdown of sales income. The new name of the former region 'European Union' became 'Europe' including, however, the same countries as before. Therefore, the following countries are included in 'Europe' region: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, the Netherlands, Croatia, Ireland, Poland, Latvia, Lithuania, Luxembourg, United Kingdom, Malta, Germany, Italy, Portugal, Romania, Spain, Sweden, Slovakia and Slovenia. The name and scope of countries of other geographical regions remained unchanged. Therefore the comparative information has been restated.

The external customers of the Group are domiciled in the above presented regions.

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	**2021** HUFm	**2020** HUFm
Sale of pharmaceutical products	495,345	465,233
Revenue from services	16,947	12,005
Royalty income	118,303	89,538
Total revenues	**630,595**	**566,776**

Revenues of approximately HUF 101,569 million (2020: HUF 86,895 million) are derived from a single external customer (AbbVie) that 22% 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 2021 and in 2020.

5. Profit from operations – expenses by nature

	2021 HUFm	**2020** HUFm
Revenues	630,595	566,776
From this: royalty and other similar income	*118,303*	*89,538*
Changes in inventories of finished goods and work in progress, cost of goods sold	(160,362)	(152,639)
Material type expenses	(136,806)	(105,345)
Personnel expenses	(143,498)	(137,919)
Depreciation and amortisation (Note 12 and 15)	(44,922)	(39,846)
from this: IFRS16 related	(4,631)	(4,188)
Other income and other expenses (net)	(9,493)	(17,267)
from this: IFRS16 related	(6)	27
Reversal of impairment on financial and contract assets	318	1,329
Profit from operations	**135,832**	**115,089**

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

Deloitte Auditing and Consulting Ltd.

	2021 HUFm	**2020** HUFm
Richter – annual audit – separate financial statement	21	20
Richter – annual audit – consolidated financial statement	7	7
Total	**28**	**27**

Deloitte Network

	2021 HUFm	2020 HUFm
Audit based on statutory provisions	108	81
Other services providing assurance	-	12
Tax consulting services	16	36
Other non-audit services	-	28
Total	**124**	**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 318 million in 2021 and HUF 1,329 million in 2020.

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

The balance of other income and expense changed from HUF 17,267 million (expense) in the base period to HUF 9,493 million (expense) in 2021.

In the period of reporting the Group received one-off payments of HUF 3,072 million related to denosumab, tocilizumab and cariprazine. By contrast, one-off payments realised from cariprazine and tocilizumab in the reference period and amounting to a total of HUF 900 million.

Impairment reported on Intangibles in 2021 amounted to HUF 2,586 million including HUF 1,731 million reported on Priya. 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.

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, UK and Switzerland amounting to HUF 5,003 million in 2021 (in 2020 HUF 4,782 million). The 20% tax obligation payable in respect of turnover related to reimbursed sales in Hungary amounted to HUF 543 million in 2021 and HUF 800 million in 2020.

In 2021, HUF 788 million expenses was reported at Parent Company in the balance of revenue and usage of CO2 quota, HUF 632 million more than in the reference year.

Depreciation charge of right-of-use assets:

	2021 HUFm	2020 HUFm
Land	(21)	(21)
Building	(2,770)	(2,537)
Machinery	(5)	2
Office equipment	(15)	(16)
Vehicles	(1,820)	(1,616)
Total	**(4,631)**	**(4,188)**

The Consolidated Income Statement includes HUF 596 million in 2021 (in 2020 HUF 1,388 million) expenses from short-term, low-value and variable lease payments.

6. 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:

	2021 HUFm	2020 HUFm
Unrealised financial items	**4,403**	**(2,538)**
Exchange gain/(loss) on trade receivables and trade payables	3,911	(1,238)
Gain on foreign currency loans receivable	984	699
Year-end gain on foreign currency securities	2,374	339
Foreign exchange difference of other financial assets and liabilities	(18)	797
Result of unrealised forward exchange contracts	195	-
Interest expenses related to IFRS 16 standard	(636)	(609)
Foreign exchange difference related to IFRS 16 standard	(109)	(21)
Impairment loss on investments (Note 16)	(758)	(3,200)
Unrealised fair value difference on financial instruments	(1,540)	695
Realised financial items	**3,230**	**1,713**
Exchange gain/(loss) realised on trade receivables and trade payables	2,240	(323)
Foreign exchange difference on conversion of cash	(1,980)	1,186
Dividend income	9	2
Interest income	2,950	915
Interest expense	(27)	(22)
Other financial items	38	(45)
Total	**7,633**	**(825)**

Unrealised financial gain was heavily affected by the 4.35 RUB/HUF, 325.71 USD/HUF and 369.00 EUR/HUF exchange rates as of 31 December 2021 (3.96 RUB/HUF on 31 December 2020, 297.36 USD/HUF and 365.13 EUR/HUF respectively) which impacted the revaluation of currency related Balance Sheet items. These translation differences together resulted in a gain of HUF 7,251 million in the net financial gain for 2021. This gain was offset mainly by the impairment on the investment in PrimaTemp in amount of HUF 741 million. Inc.. For the sensitivity analysis relating to foreign currency exposure see Note 9.

The unrealised fair value difference on financial instruments was HUF 1,540 million loss in 2021, which consist of HUF 7,931 million gain for debt on issue of bond, HUF 672 million gain for derivatives and HUF 10,143 million loss for government securities and corporate bonds. In 2020 this fair value difference was HUF 695 million gain.

7. Income tax

Accounting policy
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.

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.

	2021 HUFm	2020 HUFm
Corporate income tax	(4,396)	(4,454)
Local business tax	(3,942)	(4,017)
Innovation contribution	(597)	(608)
Current tax	**(8,935)**	**(9,079)**
Deferred tax (Note 20)	3,467	(33)
Deferred tax asset on unrealised profit elimination (Note 50)	73	-
Deferred tax	**3,540**	**(33)**
Income tax	**(5,395)**	**(9,112)**

In 2021 the average effective tax rate calculated on the basis of the current tax is 6.1% and also 3.4% taking into account the effect of deferred tax as well, in 2020 these rates were 7.9% and 7.9% respectively.

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

Parent Company	9.0%
Romania	16.0%
Russia	15.5%
Poland	19.0%

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 48.

Tax rate reconciliation

	2021 HUFm	2020 HUFm
Profit before income tax	**146,575**	**115,164**
Tax calculated at domestic tax rates applicable to profits in the respective countries*	18,187	15,149
Tax effects of:		
Associates results reported net of tax	(280)	(81)
Income not subject to tax	(4,808)	(4,143)
Expense not deductible for tax purposes	1,156	528
Expense eligible to double deduction**	(3,952)	(3,233)
The effect of changes in tax loss for which no deferred income tax has been recognised***	(973)	725
Other income taxes	908	899
Correction of tax return	(15)	4
Effect of change in tax rate	2	-
Impact of deferred tax exceptions on subsidiaries and goodwill****	124	(363)
Effect of previously unrecognised deductible temporary differences*****	(3,627)	-
Investment tax credit	(1,327)	(373)
Tax charge	**5,395**	**9,112**

* 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.

***** Please see more detailed in Note 20.

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 2021 is HUF 990 million.

Richter is able to take advantage of the up to 2021, at the latest. Therefore, there is not remaining tax relief in connection with the Debrecen project.

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.

8. Consolidated earnings per share

Accounting policy
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.

As of 31 December 2021 and 31 December 2020 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)

	2021	2020
Net consolidated profit attributable to owners of the parent (HUFm)	139,626	104,683
Weighted average number of ordinary shares outstanding (thousands)	186,008	185,971
Earnings per share (HUF)	**751**	**563**

9. Financial instruments

This note provides information about the Group's financial instruments, including the followings:

- Relevant Accounting policies
- An overview of all financial assets and financial liabilities held by the Group
- Information about the Groups' financial risk and capital management.

Accounting policy

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

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 typically 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.

Derecognition of financial assets

The Group shall derecognise a financial asset only if the contractual rights to cash-flows from the asset become forfeited, the rights expire, or the Group surrenders essentially all gains and risks to another enterprise. If the Group does not transfer essentially all gains and risks arising from ownership of the financial asset to others, but does not keep them either, and continues to handle the asset, the Group shall recognise the kept share and, on the other hand, recognise the related liability. In current year there was no modification of financial assets.

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 the asset is treated as an AC asset during the year, and when the subsequent measurement is performed the fair value difference is placed in OCI.

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.

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.

The Group decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The transactions of issue of the bond and fixed interest rate swaps were concluded in the same time.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and 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 Note 38 Trade payables.

The Group holds the following financial assets and liabilities. It does not include fair value information for financial assets and liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

	Notes	Carrying value		Fair value	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		HUFm	HUFm	HUFm	HUFm
Financial assets measured at fair value[1]					
Financial assets measured at FVOCI					
Government securities, corporate bonds (debts)[3]	19,27	38,318	42,090	38,318	42,090
Equity instruments	19	31,265	-	31,265	-
Investments	19	3,691	1,604	3,691	1,604
		73,274	**43,694**	**73,274**	**43,694**
Financial assets measured at FVTPL					
Government securities, corporate bonds[3] - designated as at FVTPL at initial recognition	18	76,778	4,479	76,778	4,479
Other securities - convertible promissory note – mandatorily measured at FVTPL[2]	27	-	1,664	-	1,664
Other financial asset (Mycovia)	18	7,873	6,318	7,873	6,318
Derivative financial instruments	11	9,378	-	9,378	-
Foreign currency forwards – cash-flow hedges	11	25	-	25	-
		94,054	**12,461**	**94,054**	**12,461**
Financial assets measured at amortised cost[1]					
Government securities, corporate bonds (debt)	17,26	1,503	-	1,464	-
Loan receivables	17,26	4,744	1,542	4,744	1,542
Trade receivables	23	184,760	152,652	184,760	152,652
Cash and cash equivalents	29	59,856	142,068	59,856	142,068
		250,863	**296,262**	**250,824**	**296,262**

[1] All financial assets are free from liens and charges.
[2] Convertible promissory note to associates.
[3] The fair value of interest rate swap 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.

	Notes	Carrying value		Fair value	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		HUFm	HUFm	HUFm	HUFm
Financial liabilities measured at fair value					
Financial liabilities measured at FVTPL					
Debt on the issue of bonds	33,40	55,693	-	55,693	-
Derivative financial instruments	11	8,555	43	8,555	43
Foreign currency forwards – cash-flow hedges	11	48	-	48	-
Other financial liabilities	33,40	2,800	4,776	2,800	4,776
		67,096	**4,819**	**67,096**	**4,819**
Financial liabilities measured at amortised cost					
Trade payables	38	79,638	65,838	79,638	65,838
Lease liability	34	17,317	14,556	17,317	14,556
		96,955	**80,394**	**96,955**	**80,394**

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).

9.1 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, credit and collection and liquidity risk.

9.1.1 Market risk

Interest rate risk
As stated in Note 37 the Group does not have borrowings. Therefore the interest rate risk arising from borrowings is nil.

Security price risk
The Group holds various securities including fixed and floating rate EUR and HUF denominated government and corporate bonds and EUR denominated ETFs (Exchange-Traded Fund) of corporate bonds. Most of these securities are booked at fair value therefore price fluctuation creates security price risks. In order to reduce price fluctuation risks, approximately half of fixed rate EUR bonds are hedged through interest rate swaps.

Foreign currency risk
Significant part of the Group's revenues is denominated in currencies other than the functional and the presentation currency, therefore it faces the risk of currency rate fluctuation. In order to decrease this risk the Parent Company hedged its exposure through USD and RUB FX forward deals. There is no formal threshold stated in the policies of the Company on the exposure level that would automatically require conclusion of derivative instruments to mitigate the foreign currency risk.

In the fourth quarter of 2021, the management reviewed its financial risk management strategy in relation to its exposure to currency risk. In December 2021, the management decided to change its risk management policy and started to apply hedge accounting prospectively to mitigate the Group's exposure arising from currency risk related to highly probable forecasted sales transactions. The Group did not apply hedge accounting previously, but IFRS 9 for the current year and afterwards.
The purpose of hedge accounting is to mitigate the impact of potential volatility in the Consolidated Income Statement of the company due to the currency risk of highly probable future foreign currency cash-flows by matching the impact of the hedged item and the hedging instrument in the Consolidated Income Statement.

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, CNY and from 2021 the CZK. The calculation of exposure to foreign currencies is based on these nine 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. Recently Ruble showed higher volatility therefore according to the decision of the Management this currency has been diverted in a reasonable level when determining the exchange rate combination (RUB +/- 10%; all other +/- 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:

2021	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	CZK/ HUF	CNY/ HUF	HUFm	HUFm	
105%	**376.52**												
		318.95	**1.18**	**82.39**	**76.45**	**4.51**	**370.38**	**0.75**	**14.67**	**49.54**	**14,274**	**14,961**	**largest growth**
		303.76	1.24	78.47	72.81	4.10	352.74	0.71	13.97	47.18	2,345	2,610	
		288.57	1.30	74.55	69.17	3.69	335.10	0.67	13.27	44.82	(9,585)	(9,741)	
100%	358.59												
		318.95	1.12	82.39	76.45	4.51	370.38	0.75	14.67	49.54	11,930	12,351	
		303.76	1.18	78.47	72.81	4.10	352.74	0.71	13.97	47.18	0	0	
		288.57	1.24	74.55	69.17	3.69	335.10	0.67	13.27	44.82	(11,930)	(12,351)	
95%	**340.66**												
		318.95	1.07	82.39	76.45	4.51	370.38	0.75	14.67	49.54	9,585	9,741	
		303.76	1.12	78.47	72.81	4.10	352.74	0.71	13.97	47.18	(2,345)	(2,610)	
		288.57	**1.18**	**74.55**	**69.17**	**3.69**	**335.10**	**0.67**	**13.27**	**44.82**	**(14,274)**	**(14,961)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

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%	**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%	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%	**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.

Based on the yearly average currency rate sensitivity analysis of 2021 the combination of weak Hungarian Forint –376.52 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 14,274 million on the Group's consolidated operating profit and HUF 14,961 million on the Group's consolidated profit for the year.
The greatest decrease HUF 14,274 million on operating and HUF 14,961 million on profit for the year would have been caused by the combination of exchange rates of 340.66 EUR/HUF against other currencies.

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.

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, loan receivables, lease liabilities and financial assets and financial 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 Ruble, therefore this currency has been diverted more when determining the exchange rate combinations (RUB +/- 10%; all other +/- 5%).

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

2021		Exchange rates									Effect on net financial position	
*	EUR/ HUF	USD/ HUF	EUR/ USD	PLN/ HUF	RON/ HUF	RUB/ HUF	CHF/ HUF	KZT/ HUF	CZK/ HUF	CNY/ HUF	HUFm	
105%	**387.45**											
		342.00	**1.13**	**84.32**	**78.29**	**4.79**	**374.75**	**0.79**	**15.58**	**53.82**	**12,777**	**best case scenario**
		325.71	1.19	80.30	74.56	4.35	356.90	0.75	14.84	51.26	5,397	
		309.42	1.25	76.29	70.83	3.92	339.06	0.71	14.10	48.70	(1,984)	
100%	369.00											
		342.00	1.08	84.32	78.29	4.79	374.75	0.79	15.58	53.82	7,381	
		325.71	1.13	80.30	74.56	4.35	356.90	0.75	14.84	51.26	-	
		309.42	1.19	76.29	70.83	3.92	339.06	0.71	14.10	48.70	(7,381)	
95%	**350.55**											
		342.00	1.03	84.32	78.29	4.79	374.75	0.79	15.58	53.82	1,984	
		325.71	1.08	80.30	74.56	4.35	356.90	0.75	14.84	51.26	(5,397)	
		309.42	**1.13**	**76.29**	**70.83**	**3.92**	**339.06**	**0.71**	**14.10**	**48.70**	**(12,777)**	**worst case scenario**

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

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%	**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%	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%	**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.

The worst-case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK weaken against HUF. In this case the consolidated financial result would decrease by HUF 12,777 million. The best-case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK would strengthen against HUF. In this case the consolidated financial result would increase by HUF 12,777 million.

In 2020 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 11,540 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 11,540 million.

Since loan 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 influences the Net Financial Income/(loss) of the Group.

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

2021	Currencies (all amounts in HUFm)								
	EUR	USD	CHF	RUB	RON	PLN	KZT	CZK	CNY
Loans receivable	1,970	687	-	-	-	64	-	-	-
Trade receivables	46,223	40,927	293	35,009	39,920	3,822	2,056	-	5,777
Financial assets	61,432	7,873	-	-	-	-	-	-	-
Other receivables	484	-	-	-	-	-	-	-	-
Bank deposits	16,688	2,305	881	7,244	8,068	2,908	569	133	850
Trade payables	(13,792)	(2,473)	(654)	(365)	(40,046)	(838)	(4,455)	-	-
Financial liabilities	(2)	-	-	-	-	-	-	-	-
Other liabilities	(1,873)	(377)	(8)	(20)	(248)	(108)	-	(7)	(43)
Lease liabilities	(3,195)	(203)	(71)	(494)	(418)	(2,140)	(60)	-	-
Total	**107,935**	**48,739**	**441**	**41,374**	**7,276**	**3,708**	**(1,890)**	**126**	**6,584**

2020	Currencies (all amounts in HUFm)							
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Loans receivable	73	624	-	-	-	56	-	-
Trade receivables	19,425	34,940	270	31,755	34,923	6,946	1,409	4,577
Investments in securities	11,356	8,980	-	-	-	-	-	-
Bank deposits	30,014	55,993	1,788	1,525	5,699	1,792	295	1,168
Trade payables	(11,429)	(1,338)	(236)	(307)	(35,545)	(642)	(25)	-
Other liabilities	(402)	(1,189)	-	(33)	-	(16)	-	-
Lease liabilities	(3,469)	(238)	(135)	(624)	(90)	(1,602)	(18)	-
Total	**45,568**	**97,772**	**1,687**	**32,316**	**4,987**	**6,534**	**1,661**	**5,745**

9.1.2 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 the management of the Group maintains close contact with them on an ongoing basis. In 2021 there is only one customer (AbbVie) 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 31 December 2021	Type of security		
		Credit insurance*	Bank guarantee	L/C
	HUFm	HUFm	HUFm	HUFm
CIS	46,616	45,941	675	-
Europe	466	-	466	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	2,446	2,262	184	-
Total	**49,528**	**48,203**	**1,325**	**-**

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

*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 55% 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 based on international credit rating institutes are the followings:

Investment partner banks	31 December 2021			31 December 2020		
	Moody's	*S&P*	*FitchRatings*	*Moody's*	*S&P*	*FitchRatings*
Banca Commerciala Romana SA	Baa1	-	BBB+	Baa1	-	BBB+
Bank of China Ltd. Hungarian Branch*	A1	A	A	A1	A	A
BNP Paribas Magyarországi Fióktelepe	Aa3	A+	A+	Aa3	A+	A+
CIB Bank Zrt.*	-	-	BBB	-	-	BB+
Citibank N.A.	Aa3	A+	A+	Aa3	A+	A+
Commerzbank AG Frankfurt	A1	BBB+	-	A1	BBB+	-
Erste Bank Hungary Zrt.	Baa1	-	BBB+	Baa1	-	BBB+
ING Bank N.V. Hungaria Branch*	Aa3	A+	AA-	Aa3	A+	AA-
J.P. MORGAN AG	Aa1	A+	AA	Aa1	A+	AA
K&H Bank Zrt.*	Baa1	BBB+	-	Baa1	BBB+	-
KDB Bank Európa Zrt. (ultimate parent - Korea Development Bank)*	Aa2	AA	AA-	Aa2	AA	AA-
OTP Bank Nyrt.	Baa1	BBB	-	Baa1	BBB	-
OJSC OTP Bank. Oroszország	-	-	BB+	-	-	BB+
Raiffeisen Bank Zrt.	A2	-	-	A3	-	-

* The bank's credit rating is not available, we present the rating of its "ultimate parent"

In 2021 the Parent Company invested into government and corporate bonds in the amount of HUF 160 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.

As part of the bond issuance the Company was received a BBB+ rating from Scope ratings GmbH. The received rating reflects the Parent Company's excellent financial risk profile with a net cash position and solid competitive position in speciality innovative and generic pharmaceuticals, and also the conservative financial policy.

The Group has a customer (AbbVie) where the turnover exceeds 10% of net sales. The customer has settled all open item up to the balance sheet date.

9.1.3 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. 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, investment funds 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.

On 2 June 2021 the Parent Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 m from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The liquidity risk of the Group was limited in 2020, since the cash and cash equivalents exceeded the current liabilities and the current assets were higher than the total liabilities. During 2021 the Parent Company held a successful auction for qualified investors and received funding from the issued bonds (see Note 33). Beside this, the Company uses only plain vanilla derivative instruments (e.g. forward contracts) for hedging purposes (see Note 11). These transactions resulted in a significant growth of financial liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash-flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash-flows. To the extent that interest cash-flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Contractual maturities of financial liabilities
31 December 2021

	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash-flows	Carrying amount
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Non-derivatives								
Trade payables	38	63,831	14,061	1,746	-	-	**79,638**	**79,638**
Lease liabilities	34	1,363	3,657	7,073	2,690	6,583	**21,366**	**17,318**
Debt on the issue of bonds	33,40	-	1,225	2,450	2,450	75,390	**81,515**	**55,693**
Total non-derivatives		**65,194**	**18,943**	**11,269**	**5,140**	**81,973**	**182,519**	**152,649**
Derivatives								
Interest rate swap	11	(5)	(517)	(13)	70	1,162	**697**	**628**
Gross settled (foreign currency forwards – cash-flow hedges) – gross outflows	11	-	44,622	20,520	-	-	**65,142**	**(23)**
Trading derivatives (foreign currency forwards) – gross outflows	11	22,296	18,705	-	-	-	**41,001**	**195**
Total derivatives		**22,291**	**62,810**	**20,507**	**70**	**1,162**	**106,840**	**800**

Contractual maturities of financial liabilities at 31 December 2020	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash-flows	Carrying amount
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Non-derivatives								
Trade payables	38	53,109	11,211	1,471	47	-	**65,838**	**65,838**
Lease liabilities	34	1,257	3,171	5,993	2,629	6,095	**19,145**	**14,556**
Total non-derivatives		**54,366**	**14,382**	**7,464**	**2,676**	**6,095**	**84,983**	**80,394**
Derivatives								
Interest rate swap	11	11	(38)	(46)	(17)	47	**(43)**	**(43)**
Total derivatives		**11**	**(38)**	**(46)**	**(17)**	**47**	**(43)**	**(43)**

Net debt and EBITDA are presented and detailed in Note 9.2 and Note 42.

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:

	2021 HUFm	2020 HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	194	194
Bank guarantee for Romanian suppliers	3,835	3,011
Other, individually not significant bank guarantees	125	145

9.2 Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Note 37, debt on issue of bond detailed in Note 33 and 40, furthermore the related derivative financial instruments detailed in Note 11 offset by cash and bank balances in Note 29 and the government securities and corporate bonds invested from the received amount of issue of bond detailed in Note 18, and related derivative financial instruments detailed in Note 11) and equity of the Group (comprising share capital, retained earnings, other reserves and non-controlling interests). The net debt structure presents the main changes in financial liabilities and related financial assets.

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 2021 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 2021 and 2020, since the net cash position calculated as presented in Note 42, shows surplus in the balance sheet.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Net cash (Note 42)	**49,075**	**130,302**
Total equity	923,022	813,939
Total capital	**972,097**	**944,241**
EBITDA	176,123	150,747
Net cash to EBITDA ratio	**0.28**	**0.86**
Net cash to equity ratio	**0.05**	**0.16**

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.

	2021 HUFm	2020 HUFm
Profit from operations	135,832	115,089
Depreciation (except for right-of-use asset)	40,291	35,658
EBITDA	**176,123**	**150,747**

10. 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 2021				31 December 2020			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Non-current financial assets at FVTPL	11,18	77,527	8,358	7,873	**93,758**	-	4,479	6,318	**10,797**
Non-current financial assets at FVOCI	19	73,274	-	-	**73,274**	38,216	-	-	**38,216**
Current financial assets at fair value	11,27	271	-	-	**271**	-	5,478	1,664	**7,142**
Hedging derivatives - foreign currency forwards	11	25	-	-	**25**	-	-	-	**-**
Total financial assets recurring fair value measurements		**151,097**	**8,358**	**7,873**	**167,328**	**38,216**	**9,957**	**7,982**	**56,155**
Financial liabilities									
Non-current financial liabilities at FVTPL	11,33	8,479	54,468	-	62,947	-	-	-	**-**
Current financial liabilities at FVTPL	11,40	76	1,225	-	1,301	-	-	-	**-**
Hedging derivatives - foreign currency forwards	11	48	-	-	48	-	-	-	**-**
Total financial liabilities recurring fair value measurements		**8,603**	**55,693**	**-**	**64,296**	**-**	**-**	**-**	**-**

The Group recognizes corporate bonds and a portion of government securities 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 11.

The Group has debt instruments managed under a different business model as a non-current financial asset at fair value through other comprehensive income, based on that the business model 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.
The Group recognised equity instruments as financial asset at FVOCI in current year and applies the fair value option for these instruments.

Current financial assets at fair value category included a debt instrument, which maturity was within a year in 2020, and it was derecognised in 2021.

There was no contract liability measured at fair value neither in 2021 nor in 2020.

In 2020 there was no financial liabilities measured at fair value, however in 2021 the Company held a successful auction for qualified investors and received funding from the issued bonds. The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The issue of bond at fixed interest rate and the deal of interest rate swaps took place in the same time. For detailed information please see Note 33.

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 2021 and 2020.

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 2021 and 2020:

	Fair value at 31 December 2021 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)	Sensitivity of fair value measurement
Assets at fair value					
Other financial asset Mycovia	7,873	Discounted cash-flows (DCF)	· Estimated future profit		The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	325.71 HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	8.45 %	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**7,873**				

	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 PrimaTemp	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	years	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 asset 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**					

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 9. The fair value of the financial assets and liabilities carried at amortized cost does not significantly differ from its carrying amount, because in this type of transactions the Group does not apply any incremental cost, either based on fixed rates or has short-term nature.

11. Derivative financial instruments

Accounting policy
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the end of each reporting period to their at fair value. The resulting gain or loss is immediately recognized in the Consolidated Income Statement. Derivative financial instruments are classified under "Non-current financial assets at FVTPL" and "Non-current financial liabilities at FVTPL", 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" and "Current financial liabilities at FVTPL".

The Group's accounting policy decision for its cash-flow hedges is set out in Note 51.

Government bonds and corporate bonds purchased by the Parent Company are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Parent 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.

Assets

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	750
Interest rate swap (HUF)	10,000,000,000	2029	1,333
Interest rate swap (HUF)	3,500,000,000	2030	476
Interest rate swap (HUF)	49,000,000,000	2031	6,412
Interest rate swap (EUR)	10,000,000	2027	62
Interest rate swap (EUR)	12,240,000	2029	35
Interest rate swap (EUR)	10,000,000	2035	39
Total			**9,107**

Liabilities

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	(750)
Interest rate swap (HUF)	10,000,000,000	2029	(1,184)
Interest rate swap (HUF)	3,500,000,000	2030	(476)
Interest rate swap (HUF)	49,000,000,000	2031	(6,067)
Interest rate swap (EUR)	1,535,000	2029	(1)
Interest rate swap (EUR)	5,000,000	2035	(1)
Total			**(8,479)**

The Group's derivative instruments are interest rate swaps and foreign currency forwards.
Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

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 based on IFRS 9. The fair value option was selected at initial measurement and recognition.

	31 December 2021 HUFm	31 December 2020 HUFm
Assets		
Long-term derivative financial instruments		
Interest rate swaps	9,107	-
Short-term derivative financial instruments		
Foreign currency forwards – trading derivatives	271	-
Foreign currency forwards – cash-flow hedges	25	-
Total derivative financial assets	**9,403**	**-**
Liabilities		
Long-term derivative financial instruments		
Interest rate swaps	(8,479)	-
Foreign currency forwards – cash-flow hedges	(39)	-
Short-term derivative financial instruments		
Foreign currency forwards – trading derivatives	(76)	-
Foreign currency forwards – cash-flow hedges	(9)	-
Total derivative financial liabilities	**(8,603)**	**(43)**

Amounts recognised in profit or loss
There were no reclassifications from the cash-flow hedge reserve to profit or loss (Revenues) during the period in relation to the foreign currency forwards.

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency royalty income, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Parent therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency royalty income, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Parent Company or the derivative counterparty.

The Parent enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency. The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted royalty revenue. The Company's strategy is to hedge up to 50 % coverage on the royalty exposure. As all critical terms matched during the year, there is an economic relationship.

Effects of hedge accounting on the financial position and performance
The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

Foreign currency forward	**31 December 2021**	**31 December 2020**
Carrying amount of the hedging instrument – liabilities (HUFm)	(23)	-
Notional amount (USD)	200,000,000	-
Maturity date	2022/2023	-
Hedge ratio*	100%	-
Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm)	(23)	-
Weighted average forward rate for outstanding hedging instruments (including forward points)	336.18	-

* The foreign currency forward is denominated in the same currency as the highly probable royalty income, therefore the hedge ratio is 1:1.

12. Property, plant and equipment

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

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

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

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

The Group accounts full depreciation for the low value assets (having lower gross value than HUF 200,000) at recognition, so when the asset is available for use.

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 not material, 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.

Impairment of tangible assets

At each balance sheet date, the members of the Group review the carrying amount of tangible 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)”.

	31 December 2021	31 December 2020
	HUFm	HUFm
Property, plant and equipment without Right-of-use assets	261,719	239,986
Right-of-use assets	16,675	14,135
Total	**278,394**	**254,121**

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

	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)**
Additions	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**

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2020	**188,072**	**335,249**	**27,300**	**550,621**
Translation differences	1,422	1,717	282	**3,421**
Additions	16,462	24,679	(41,141)	**-**
Transfers and capital expenditure	1,277	1,114	46,248	**48,639**
Disposals	139	(10,797)	(276)	**(10,934)**
Disposal of subsidiary	(1,959)	(494)	(1)	**(2,454)**
at 31 December 2021	**205,413**	**351,468**	**32,412**	**589,293**
Accumulated depreciation				
at 31 December 2020	**61,677**	**248,958**	**-**	**310,635**
Translation differences	323	1,157	-	**1,480**
Current year depreciation	5,547	19,115	-	**24,662**
Net foreign currency exchange differences	31	168	-	**199**
Disposals	937	(8,839)	-	**(7,902)**
Disposal of subsidiary	(1,084)	(416)	-	**(1,500)**
at 31 December 2021	**67,431**	**260,143**	**-**	**327,574**
Net book value				
at 31 December 2020	**126,395**	**86,291**	**27,300**	**239,986**
at 31 December 2021	**137,982**	**91,325**	**32,412**	**261,719**

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.

From 2019 leased assets are presented among Property, plant and equipment in the Consolidated Balance Sheet, see Note 12.2.

12.2 Right-of-use assets

Accounting policy
The right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.
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.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Land	1,502	1,427
Building	10,730	9,546
Machinery	13	7
Office equipment	46	58
Vehicles	4,384	3,097
Total	**16,675**	**14,135**

The gross value of the right-of-use assets increased by HUF 7,171 million. The depreciation in the current year is HUF 4,631 million (in 2020 HUF 4,188 million, see Note 5). Therefore, the net increase was HUF 2,540 million in the value of right-of- use assets in 2021, which comprises of new transactions, revaluations and modifications.

13. Investment property

Accounting policy
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.

The value of Investment property was not material and has not changed comparing to closing value - HUF 110 million - of 2020, the change in its fair value is not disclosed.

14. Goodwill

Accounting policy

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.

	Goodwill HUFm
Cost	
At 1 January 2020	**29,503**
Exchange differences	1,916
Impairment charged for the year	(21)
At 31 December 2020	**31,398**
At 1 January 2021	31,398
Exchange differences	3,612
Impairment charged for the year	(5)
At 31 December 2021	**35,005**

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 2021 HUFm	31 December 2020 HUFm
Pharmaceuticals segment		
Gedeon Richter Polska Sp. z o.o.	1,201	1,186
Richter-Helm BioLogics GmbH & Co. KG	117	116
GRMed Company Ltd.	30,889	27,388
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	48	47
Gedeon Richter Mexico, S.A.P.I. de C.V	1,661	1,561
Wholesale and retail segment		
Armedica Trading Group	1,028	1,039
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**35,005**	**31,398**

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 2021. 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 2021 similar to 2020. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

Armedica Trading Group

In 2021, in a similar way to the previous year, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. The residual value for licenses remained unchanged in the evaluation as of 31 December 2021. Since there was not enough information to use the market approach methodology, as in 2019, we continued to apply the income approach used in 2020 and in the years before 2019.

In 2021 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 2021, net sales showed a steady upward trend during the year. Despite the worsening of the COVID-19 pandemics, it has 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 9-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 5 million was recognized for goodwill and HUF 9 million for related pharmacy licenses (see Note 15). In the case of well-performing pharmacies, it was not necessary to account for impairment, a reversal of HUF 14 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 margin would require the recognition of an impairment loss for the total amount of goodwill and pharmacy licenses. A 5% decrease in the selling price and a 5% 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, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded.
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 2021 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 (2022-2031) due to the average annual 2.3% growth in turnover.

The present value of the 2022-2031 cash-flows and (by applying a conservative estimate of) residual value reckoning with 0% growth is 161% above the tested amount. The book value of goodwill amounts to HUF 22,637 million.

The discount rate (post tax: 4.9%; 2020: 6.4%) 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 11.4% or a 14.1% 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 2021 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, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount (which is level 3 in the fair value hierarchy). The calculations were based on the long-term turnover projection adopted by the management (2022-2031), 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 calculated return is 27% higher than the CGU book value. The present value of the 2022-2031 cash - flows represents the 58% of total recoverable amount.
The book value of goodwill amounts to HUF 1,559 million.

The discount rate (post tax: 7.3%; in 2020 7.1%) 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 9.6% 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.

15. Other intangible assets

Accounting policy
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 regularly enters into licensing agreements that requires the Group to pay certain license fees. A typical license agreement contains:
- Upfront payments;
- Regulatory milestones; and
- Sales based royalties.

The upfront payments generally meet the definition of an intangible acquired in a purchase transaction and meets the recognition criteria of IAS 38. All the milestone payments based on regulatory approval are recognised as part of the intangible asset when those payments become payable.

The sales based royalty payments made to the licensor based on the revenue of the Group are recognized as expense in the same period as the revenue for the sale of pharmaceutical product is recognized.

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%

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 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) at the acquisition of PregLem and presented in the Consolidated Balance Sheet.

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.

Impairment of intangible assets

At each balance sheet date, the members of the Group review the carrying amount of 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)”.

The Group does not recognise amortization for intangible assets with indefinite useful lives or intangible assets that are not yet available for use but based on indicators annually reviews the necessity of impairment.

	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**
Additions	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.

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value						
at 31 December 2020	**207,900**	**5,887**	**423**	**88,372**	**53,613**	**356,195**
Translation differences	457	54	-	-	-	**511**
Additions	98,367	743	-	-	-	**99,110**
Disposals	(1,163)	(129)	-	-	-	**(1,292)**
Disposal of subsidiary	(11)	(11)	-	-	-	**(22)**
at 31 December 2021	**305,550**	**6,544**	**423**	**88,372**	**53,613**	**454,502**
Accumulated depreciation						
at 31 December 2020	**112,462**	**3,984**	**423**	**88,372**	**9,651**	**214,892**
Translation differences	460	46	-	-	-	**506**
Current year amortization	13,130	354	-	-	2,145	**15,629**
Net foreign currency exchange differences	4	7	-	-	-	**11**
Impairment and reversal of impairment (net)	1,831	755	-	-	-	**2,586**
Disposals	(8)	(17)	-	-	-	**(25)**
Disposal of subsidiary	(2)	(10)	-	-	-	**(12)**
at 31 December 2021	**127,877**	**5,119**	**423**	**88,372**	**11,796**	**233,587**
Net book value						
at 31 December 2020	**95,438**	**1,903**	**-**	**-**	**43,962**	**141,303**
at 31 December 2021	**177,673**	**1,425**	**-**	**-**	**41,817**	**220,915**

* 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.

The average remaining useful life of the intellectual properties does not exceed 6 years, in 2020 it was 7 years.

ESMYA (covering the entire ESMYA column above EU/NA region)
In the course of PregLem SA.'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 40,545 million as of 31 December 2021.
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 1,271 million as of 31 December 2021.

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

Net book value	**31 December 2021** HUFm	**31 December 2020** HUFm
Evra	73,198	-
Relugolix	20,856	16,442
Mithra/Drovelis	19,176	14,138
Grünenthal	16,623	20,865
Mycovia	7,635	6,178
Mifepristone	4,938	4,218
Bemfola/Afolia	4,443	4,649
Tocilizumab	3,891	2,216
Pharmacy licenses	2,863	2,882
Other, individually not significant rights	24,050	23,850
Total	**177,673**	**95,438**

Rights – Evra

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. The deal was closed in January 2021 and in accordance with a transitional business license agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The purchase price paid for the assets on the closing of the deal, amounted to USD 263.5m. By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women. EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99% effective. Royalty type revenues linked to sales of Evra® by Janssen during this transitional period are being reported as sales. The book value of the intangible asset as of 31 December 2021 is HUF 73,198 million.

Rights – Relugolix

On 31 March 2020, the Company announced that it had entered into an exclusive agreement with Myovant Sciences GmbH to market the combination tablet of Relugolix® (containing 40 mg relugolix, 1.0 mg estradiol and 0.5 mg norethindrone acetate) in the indications for uterine fibroids and endometriosis. The geographic scope of the agreement covers Europe, CIS countries including Russia, Latin America, Australia and New Zealand. Myovant is a healthcare company developing innovative products in the field of gynecology and prostate cancer. Under the agreement, Myovant will receive USD 40 million milestone revenue at the time of the contract and will be entitled to additional milestone revenue of up to USD 40 million tied to the achievement of each milestone of regulatory approvals. The milestone revenues tied to post-authorization sales levels could amount to USD 107.5 million and the parties will also tie the amount of royalty to be paid in band to the level of sales. Myovant reserves all rights in the United States with respect to Relugolix® combination tablets, as well as its rights to non-gynecological indications for Relugolix®. Net book value of the rights is HUF 16,442 million as of 31 December 2020. During 2021 the amortization period has started. Accordingly the net book value of the intangible assets put in use is 8,925 as of 31 December 2021. For the part of intangible assets which are not in use (net book value at 31 December 2021 is HUF 11,931 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Mithra / Drovelis

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 Dovelis®, a combined oral contraceptive, containing esterol 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. As of 31 December 2020 the value of right is HUF 14,138 million. During 2021 the amortization period has started. Accordingly the net book value of the intangible assets put in use is 11,661 as of 31 December 2021. For the part of intangible assets which are not in use (net book value at 31.12.2021 is HUF 7,515 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Grünenthal

The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorization (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 16,623 million as of 31 December 2021 and HUF 20,865 million as of 31 December 2020.

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 7,635 million as of 31 December 2021. As of 31 December 2021, we performed impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. The Management 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 had 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 2021, we performed impairment test for the remaining intangible assets of HUF 4,443 million based on qualitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Tocilizumab

On 29 April, 2020 the Company announced that it has entered into an asset purchase agreement with Mycenax Biotech Inc. (“Mycenax”) in respect of biosimilar tocilizumab (“Product”) for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialise the Product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property (IP) rights, technology know-how and data generated by Mycenax. The Parties have agreed that the price payable by Richter in four instalments amounts to USD 16.5 million. Richter made a down payment of USD 2 million for exclusive negotiation rights and will pay upon signature an additional USD 3 million as upfront payment. The Product is expected to reach the market in the European Union, Canada, Australia and Japan during 2025. The book value of the intangible asset as of 31 December 2021 is HUF 3,891 million and we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. The Management 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 9 million and reversal of impairment of HUF 14 million in 2021. In 2020, impairment losses of HUF 40 million and reversal of HUF 19 million were recognized for the same reason.

In 2021, in a similar way to the previous year, there were no acquisition transactions in the Romanian pharmaceutical market whose prices would have become public. The residual value for licences remained unchanged in the evaluation as of 31 December 2021. Since there was not enough information to use the market approach methodology, as in 2019, we continued to apply the income approach used in 2020 and in the years before 2019.

16. Investments in associates and joint ventures

Accounting policy

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.

	2021 HUFm	2020 HUFm
At 1 January	**12,269**	**16,192**
Share of profit of associates and joint ventures	3,111	900
Net investments*	(1,433)	(758)
Dividend	(2,353)	(762)
Impairment	(741)	(3,200)
Exchange difference	(53)	(103)
At 31 December	**10,800**	**12,269**
out of investment in associates	11,042	10,957
out of investment in joint ventures	(242)	1,312

* 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. As of 31 December 2021 there were no significant changes in the economic circumstances and assumptions related to the evaluation of the Company's investment Evestra Inc, therefore no further impairment or reversal of previously accounted impairment was deemed to be necessary.

As of 31 December 2021, the Company decided to account for 100% impairment on its investment in PrimaTemp, since due to the uncertain market potential of the product and continuous delays in development, the return on the investment is not expected. The impairment expense accounted for is HUF 741 million.

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.

	2021 HUFm	2020 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**28,084**	**26,002**
Profit for the year*	1,988	2,821
Dividends	(833)	(739)
Closing net assets at 31 December of Hungaropharma Zrt.	**29,239**	**28,084**
Interest in associate (at 30.85%)	9,034	8,673
Unrealised profit elimination	(132)	(104)
Interest in other associates	2,140	2,388
Carrying value at 31 December	**11,042**	**10,957**

* 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	%
2021									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	14,165	75,927	10,667	50,369	419,283	3,799	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	86	-	43	698	32	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	32	147	-	28	518	18	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	26	53	-	37	441	8	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	437	3	-	447	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	16	-	17	136	0	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,716	5,347	6	2,104	-	6	35.42
PrimaTemp Inc.	USA	Pharmaceutical research, development	286	111	81	1,970	971	(156)	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	%
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
PrimaTemp Inc.	USA	Pharmaceutical research, development	325	124	59	1,746	49	(1,431)	22.99

The financial statements for 2021 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2020 has not been amended in 2021 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2020.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2021 and 2020).

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	%
2021										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,220	148	233	66	159	(92)	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	6	-	2	-	(1)	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	5,051	12,959	571	4,847	3,563	518	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	%
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

* 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.

17. Non-current financial assets at amortised cost

Accounting principles of Non-current financial assets at amortised cost are described more specifically in Note 9.

17.1 Loan receivables

Accounting policy
Loans are initially recognized at fair value adjusted for transaction costs, and subsequently generally measured at amortized cost using the effective interest method.
If the loan is off-market conditions (for example: 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.

In case of capital contribution, the Group implicitly presents the transaction as debt instrument.

When the transaction is a debt instruments, the difference between the fair value and the value of the transaction at initial recognition should be accounted for based on the substance of the arrangement, and if it qualifies as a capital increase, it should adjust the cost of the investment. According to IFRS 9 these instruments are measured at amortised cost, because the business model is hold to collect and the contractual terms of the given loans rise on specified dates to cash-flows that are solely payments of principal and interest on the principal amount outstanding.

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to related companies and other investments	2,756	1,114
Other loans given	1,087	57
Total	**3,843**	**1,171**

The Group accounted for HUF 158 million loss allowance, which is in stage 3, and the remaining HUF 25 million is classified as stage 1.

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

	Loans given to related companies and other investments HUFm	Other loans given HUFm
At 1 January 2021	13	-
Loss allowances for loans	147	23
At 31 December 2021	**160**	**23**

17.2 Government securities and corporate bonds measured at amortised cost

The Group accounts for the part of securities at amortised cost model because the business model is hold to collect, 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.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities, corporate bonds	1,492	-
Total	**1,492**	**-**

18. Non-current financial assets at FVTPL

Accounting principles of Non-current financial assets at FVTPL are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities, corporate bonds	76,778	4,479
Other financial asset (Mycovia)	7,873	6,318
Derivative financial instruments	9,107	-
Total	**93,758**	**10,797**

The Group initially recognizes the corporate bonds, government securities 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. On this basis government securities and corporate bonds are subsequently measured at FVTPL.

The amount of corporate bonds and government securities increased significantly, due to the fact, that the received amount from the “RICHTER31” bond issue was invested to debt instruments.

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 15) 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 2021. The fair value of Mycovia financial assets was HUF 7,873 million at 31 December 2021 and HUF 6,318 million at 31 December 2020.

19. Non-current financial assets at FVOCI

Accounting principles of Non-current financial assets at FVOCI are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities	38,318	36,612
Equity instruments	31,265	-
Investments	3,691	1,604
Total	**73,274**	**38,216**

The Parent Company has debt instruments (government securities, corporate bonds) managed under a different business model as a non-current financial assets at FVOCI, based on that the business model 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.

The Group recognised equity instruments as financial assets at FVOCI in current year and applies the fair value option for these instruments, which are investments in Exchange Traded Funds. The received dividend was HUF 70 million related to these equity instruments.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition, and reviews it in every year. Based on the management valuation, there is no sign to make impairment for assets presented in FVOCI model because no signicant increase in credit risk.

In 2021 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 2,367 million revaluation gain was recorded against revaluation reserve for financial assets at FVOCI in 2021. A closing fair value is HUF 3,671 million.

20. Deferred tax assets and liabilities

Accounting policy
A deferred tax liability or asset is recognized if the recovery of the carrying amount of an asset or the settlement of a liability will result in higher (or lower) tax payments in the future then if that recovery or settlement had no consequences. A deferred tax liability or asset is recognized for all such tax consequences that have originated but have not reversed by the balance sheet date, subject to certain exceptions.

Deferred tax assets
are the amounts of income taxes recoverable in future periods arising from:
- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits
- temporary differences

Deferred tax liabilities
are the amounts of income tax payable in future periods due to taxable temporary differences.
Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred 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 tax 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.

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 2021	31 December 2020
	HUFm	HUFm
Deferred tax assets	12,285	7,139
Deferred tax liabilities	(3,798)	(1,753)

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 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**
(Debited)/credited to the income statement	1,725	373	222	2,774	356	**5,450**
(Debited)/credited to other comprehensive income*	-	(19)	-	(257)	-	**(276)**
Exchange differences	3	11	1	25	-	**40**
Transfer	(83)	128	(11)	(102)	-	**(68)**
31 December 2021	**1,355**	**764**	**221**	**3,206**	**6,739**	**12,285**

Deferred tax liabilities	PPE and intangible assets	Provision	Impairment	BEMFOLA	Other temporary differences	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
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**
(Debited)/credited to the income statement	2,294	414	210	(178)	(757)	**1,983**
(Debited)/credited to other comprehensive income*	-	166	-	-	(60)	**106**
Exchange differences	16	-	-	-	8	**24**
Transfer	(57)	(8)	(11)	-	8	**(68)**
31 December 2021	**181**	**(9)**	**(11)**	**3,400**	**237**	**3,798**

* Deferred tax assets and liabilities debited/credited to other comprehensive income was HUF 412 million in 2021 and HUF 313 million in 2020 (loss), out of which accounted through revaluation reserve HUF 197 million in 2021 and HUF 143 million in 2020 (loss, see Note 30) and HUF 269 million in 2021 and HUF 163 million in 2020 (loss) presented through retained earnings.

From the deferred tax balance presented above it is expected that HUF 3,572 million (in 2020 HUF 985 million) of the liabilities and HUF 2,119 million (in 2020 HUF 310 million) of the assets will reverse after 12 months.

The balance of both the deferred tax assets and the deferred tax liabilities increased in the reporting period compared to 2020, where the Parent Company had significant deductible temporary differences, part of which was 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 was expected to be negative in the next 5 years, considering the tax base adjusting items. On consolidated level there were further taxable temporary differences associated to the Parent Company (related to the BEMFOLA intangible asset) that provided partial recoverability to these deductible temporary differences. in 2020 the amount of deferred tax liability was partially offset by the deferred tax asset of the Parent Company that was previously not recognized.

In 2021 the Parent Company recognized approximately HUF 5,000 million deferred tax asset for unused tax losses - sufficient taxable profit is available -, and on other temporary differences, the amount of DTA and DTL increased. Deferred tax liability on consolidated level was not offset in 2021.

There were significant tax loss carried forward at Romanian subsidiaries (in the amount of HUF 7,639 million) on which no deferred tax assets have been recognized as of 31 December 2021. This would have resulted in a deferred tax asset in the amount of HUF 1,222 million. In 2020 the Romanian subsidiaries had HUF 7,491 million unused tax loss (that would have resulted in HUF 1,199 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 3,874 million, between 3 and 5 years HUF 2,213 million over 5 years HUF 1,552 million.

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

21. Long-term receivables

Accounting policy
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.

The Group was granted government grant relating to property, plant and equipment and research and development activities. As at the end of 2021 HUF 1,706 million was approved but not financially settled, due over one year as long-term receivables. Current portion of related asset is disclosed in Note 25.

	31 December 2021 HUFm	31 December 2020 HUFm
Government grants	1,706	1,481
Loans given to employees	838	1,066
Other long-term receivables	240	-
Total	**2,784**	**2,547**

22. Inventories

Accounting policy
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.

	31 December 2021 HUFm	31 December 2020 HUFm
Raw materials, packaging and consumables	66,814	56,317
Production in progress	3,601	1,884
Semi-finished and finished goods	60,934	51,858
Total	**131,349**	**110,059**

Inventories include impairment and scrapping in value of HUF 5,596 million and reversal of impairment in value of HUF 872 million in 2021 (HUF 3,858 million impairment and scrapping and HUF 1,061 million reversal was made in 2020).
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.
As of 31 December 2021 the total carrying amount of inventories that are valued at net realisable value amounts to HUF 11,104 million (in 2020 it was HUF 11,657 million).
All items of Inventories are free from liens and charges.

23. Trade receivables

Accounting policy
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 in Note 9 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.

	31 December 2021 HUFm	31 December 2020 HUFm
Trade receivables (3rd parties)	180,952	147,897
Amounts due from related companies and other investments (Note 49)	3,808	4,755
Total	**184,760**	**152,652**

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

	2021 HUFm	2020 HUFm
At 1 January	**4,788**	**6,145**
Loss allowances for receivables	259	406
Reversal of impairment for trade receivables	(745)	(1,930)
Exchange difference	(16)	167
At 31 December	**4,286**	**4,788**

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 2021 nor in 2020.

Impairment of trade receivables

31 December 2021	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	0.27%	0.41%	0.82%	5.70%	-5.30%	96.14%	**2.27%**
Gross carrying amount – trade receivables	173,361	7,479	3,275	1,229	(132)	3,834	**189,046**
Loss allowance	465	31	27	70	7	3,686	**4,286**

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**

24. Contract assets

Accounting policy
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 in Note 9 above.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Contract assets	3,865	3,080
Total	**3,865**	**3,080**

25. Other current assets

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to employees	548	537
Other receivables	7,701	7,798
Tax and duties recoverable	7,442	7,863
Advances	9,910	6,682
Prepayments	4,873	4,282
Total	**30,474**	**27,162**

The Group presents approved but not financially settled government grants amount of HUF 2,727 million due within 1 year, relate to acquisition of property, plant and equipment and research and development activities. Accounting principles of Government grants are described in Note 21.

26. Current financial assets at amortised cost

Accounting principles of Current financial assets at amortised cost are described more specifically in Note 9 and 17.

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to related companies and other investments	348	370
Other loans given	553	1
Government securities	11	-
	912	**371**

The loss allowance related to current loan receivables is detailed in Note 17.

27. Current financial assets at fair value

Accounting principles of Current financial assets at fair value are described more specifically in Note 9. Foreign currency forwards are measured at fair value, and the relevant part of accounting policy and details can be found in Note 11.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities, corporate bonds	-	5,478
Other securities - convertible promissory note	-	1,664
Foreign currency forwards – trading derivatives	271	-
Foreign currency forwards – cash-flow hedges	25	-
Total (Note 9)	**296**	**7,142**

The Group accounts for the government securities and corporate bonds at fair value through OCI model because the business model is hold to collect and sell and SPPI test is met. There are no current financial assets in current year, the amount presented in 2020 was derecognised in 2021.

Under Other securities a convertible promissory note to associates (PrimaTemp) is shown, that is mandatorily measured at FVTPL, which was impaired in 2021.

28. Current tax assets and liabilities

Accounting policy
A current tax liability is recognised, at the balance sheet date for unpaid current tax expense for the current and prior periods. If the amount paid for current and prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.
Current tax assets and liabilities are measured at the amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
Current tax is recognised as income or an expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

	31 December 2021 HUFm	31 December 2020 HUFm
Current tax assets	1,110	1,196
Current tax liabilities	(2,722)	(1,993)

29. Cash and cash equivalents

Accounting policy

In the Consolidated Cash-Flow Statement Cash and cash equivalents comprise: cash in hand, bank deposits, and cash equivalents: in practice, they are securities that are used to settle short-term financial liabilities, and are not held for investment or other purposes, typically have an expiration date of up to 3 months from the date of purchase (e.g. debt securities). In the Consolidated Balance Sheet bank overdrafts are shown within "Borrowings" in current liabilities.

	31 December 2021	31 December 2020
	HUFm	HUFm
Bank deposits	59,759	141,977
Cash on hand	97	91
Total (Note 9)	**59,856**	**142,068**

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 55%) 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 9.

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 2021	31 December 2020
	HUFm	HUFm
Balances as above	59,856	142,068
Cash and cash equivalents of disposal groups classified as held for sale (Note 50)	(194)	194
Balances per statement of Cash-Flows	**59,662**	**142,262**

30. Share capital and reserves

Accounting policy

Ordinary shares are classified as equity. Where any Group company purchases the Company's equity share (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.

	31 December 2021		31 December 2020	
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 2021

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**64,689,461**	**34.72**	**34.70**
State ownership total	126	0.00	0.00
out of which HNAM Inc.	0	0.00	0.00
out of which Municipality	126	0.00	0.00
Institutional investors	57,190,857	30.70	30.68
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.00	10.00
out of which Mathias Corvinus Collegium Foundation (MCC)	18,637,486	10.00	10.00
out of which Foundation for National Health and Education of Medical Doctors	9,777,658	5.25	5.25
Retail investors	7,498,478	4.02	4.02
International ownership	**121,139,280**	**65.02**	**65.00**
Institutional investors	120,901,513	64.89	64.87
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	237,767	0.13	0.13
Treasury shares and shares transferred to ESOT **	**535,279**	**0.25**	**0.29**
Undisclosed ownership	**10,840**	**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.

Detailed ownership structure of the Parent 31 December 2020

Ordinary shares	Ownership number	Voting rights* %	Share capital %
Domestic ownership	**61,903,445**	**33.24**	**33.22**
State ownership total	9,777,784	5.25	5.25
out of which HNAM Inc.	9,777,658	5.25	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	45,829,116	24.61	24.59
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.01	10.00
out of which Tihanyi Foundation	18,637,486	10.01	10.00
Retail investors	6,296,545	3.38	3.38
International ownership	**123,776,762**	**66.46**	**66.41**
Institutional investors	123,554,744	66.34	66.29
Retail investors	222,018	0.12	0.12
Treasury shares and shares transferred to ESOT **	**631,118**	**0.27**	**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.

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 11 August 2021 Richter informed its shareholders that according to the notice received from Hungarian National Asset Management Incorporated (hereinafter "HNAM Inc.") on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

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, when the foreign operation is sold or partially sold.

Changes of foreign currency translation reserves are presented in the Consolidated Statement of Changes in Equity.

Revaluation reserve for financial assets at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 19 and 27), the difference shall be recognized as Revaluation reserve for financial assets at FVOCI. It shall not be recycled to the Consolidated Income Statement subsequently.

	Revaluation reserves for financial assets at FVOCI HUFm
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 FVOCI to retained earnings	(6,569)
Deferred tax effect	(143)
At 31 December 2020	**974**
Current year change in the fair value of derecognised equity instrument	(162)
Changes in fair value of debt instruments at FVOCI	(1,620)
Changes in the fair value of equity instruments at FVOCI	2,351
Deferred tax effect	(197)
At 31 December 2021	**1,346**

Deferred tax is accounted for, relating to the taxable temporary difference of the investments carried at FVOCI. (See details in Note 20.)

Cash-flow hedge reserve

The cash-flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash-flow hedges, as described in Note 11. Amounts are subsequently reclassified to profit or loss (Revenues).

	Foreign exchange risk HUFm
At 1 January 2021	**-**
Change in fair value of hedging instrument recognised in OCI	(23)
At 31 December 2021	**(23)**

Share-based payment presented within retained earnings

Accounting policy

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 31. 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.

Equity-settled employee benefits reserve is presented within Retained earnings.

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 31 Treasury shares.

	2021 HUFm	2020 HUFm
Expense recognized in current year	1,590	1,642
Treasury share given (Note 31)	1,748	1,729
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**(158)**	**(87)**

The cost of the cash-settled share-based payment program was HUF 1,995 million, while in 2020 it was HUF 1,794 million.

31. Treasury shares

Accounting policy
The Group shall recognise own shares at initial cost as a decrease in equity. The Group shall not recognise any financial gain or loss in current year's profit or loss due to selling, issuing or redemption of own shares. These transactions shall be presented as a change in equity in the financial statements. Gain on further transactions shall be recognised in capital reserve while loss shall be recognised in retained earnings. Treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.

Accounting principles of share-based payments are described more specifically in Note 30.

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating three share-based payment programs, described below in more details. The bonus program vest immediately. 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 2020 and 2021, 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 2021, 6,980 shares were granted to 190 key employees of the Company while in 2020 9,715 shares were granted to 238 employees.

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 2020 and in 2021 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2021, and HUF 1.6 billion in 2020. Since management considers the amount not to be material in compared to the financial statements as whole, therefore further IFRS 2 disclosures are not presented.
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 2021), the Company granted 212,693 treasury shares to 4,783 employees in 2021. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2024 which means the end of vesting period. In 2020 277,947 shares were granted to 4,783 employees deposited on their accounts until 2 January 2023.

The AGM held on 15 April 2021 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10% of the registered capital of the Company. Based on this approval, the Company purchased 104,759 treasury shares during the year.

Treasury shares	**2021** Numbers	**2020** Numbers
at 1 January	**631,118**	**674,465**
Out of these, number of shares owned by subsidiaries	*5,500*	*5,500*
Share purchase	104,759	230,073
Transferred as part of bonus program	(6,980)	(9,715)
Granted pursuant to employee share bonuses	(212,693)	(277,947)
Shares of the employees share bonus that have not vested	19,029	14,242
at 31 December	**535,233**	**631,118**
Out of these, number of shares owned by subsidiaries	*3,000*	*5,500*

Book value	**2021** HUFm	**2020** HUFm
at 1 January	**3,791**	**3,870**
Share purchase	819	1,650
Transferred as part of bonus program	(58)	(58)
Granted pursuant to employee share bonuses	(1,851)	(1,766)
Shares of the employees share bonus that have not vested	161	95
at 31 December	**2,862**	**3,791**

32. Non-controlling interest

Accounting principles of Non-controlling interest are described more specifically in Note 2.

The total non-controlling interest as of 31 December 2021 is HUF 8,136 million (in 2020 HUF 6,982 million), of which HUF 6,137 million (in 2020 HUF 4,767 million) is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,544 million (in 2020 HUF 1,388 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.

2021	Medimpex West Indies Ltd. (12)* HUFm	Richter-Helm BioLogics GmbH & Co. KG (23)* HUFm
Accumulated non-controlling interest	1,544	6,137
Non-current assets	65	14,854
Current assets	4,569	11,755
Non-current liabilities	-	1,462
Current liabilities	683	5,317
Revenues	3,927	19,615
Profit/(loss)	381	4,289
Dividends paid	442	-
Total cash-flow	(129)	(2,118)

2020	Medimpex West Indies Ltd. (12)* HUFm	Richter-Helm BioLogics GmbH & Co. KG (23)* 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)

* Number indicates to line number of Note 32.1

In case of subsidiaries with material non-controlling interest 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.

32.1 Consolidated companies

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

	Name	Place of incorporation / registration and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2021	2020	2021	2020	
1	AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing
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) Private Limited	India	55.72	55.72	55.72	55.72	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	100.00	100.00	100.00	Pharmaceutical trading
9	Gedeon Richter UK Ltd.	UK	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	Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
12	Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
13	Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
14	Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
15	Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
16	Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
17	Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
18	GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
19	Armedica Trading S.R.L.	Romania	99.92	99.92	99.92	99.92	Portfolio management
20	Gedeon Richter Farmacia S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical retail
21	Gedeon Richter France S.A.S.	France	100,00	100,00	100,00	100,00	Pharmaceutical trading, Marketing services
22	I.M. Gedeon Richter-Retea Farmaceutica S.R.L. [1]	Moldavia	-	51,00	-	51,00	Pharmaceutical retail
23	Richter-Helm BioLogics GmbH & Co. KG	Germany	70,00	70,00	70,00	70,00	Biotechnological manufacturing and research
24	Richter-Helm BioLogics Management GmbH	Germany	70,00	70,00	70,00	70,00	Asset management
25	Medimpex UK Ltd.	UK	100,00	100,00	100,00	100,00	Pharmaceutical trading
26	Farnham Laboratories Ltd. [2]	UK	100,00	100,00	100,00	100,00	Pharmaceutical trading
27	Gedeon Richter Aptyeka SP OOO	Armenia	51,00	51,00	51,00	51,00	Pharmaceutical trading
28	Pharmafarm S.A.	Romania	99,92	99,92	99,92	99,92	Pharmaceutical wholesale

	Name	Place of incorporation / registration and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2021	2020	2021	2020	
29	LLC Gedeon Richter Ukraine	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail
30	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
31	PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Manufacturing and research
32	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
33	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
34	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
35	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
36	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
37	Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
38	I.M. Rihpangalpharma S.R.L. (1)	Moldavia	-	65.00	-	65.00	Pharmaceutical wholesale
39	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
40	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
41	Gedeon Richter, trzenje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
42	Gedeon Richter Benelux	Belgium	100.00	100.00	100.00	100.00	Marketing services
43	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
44	Gedeon Richter KZ LLP	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
45	GRmed Company Ltd. (Hongkong)	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
46	Gedeon Richter Pharmaceutical (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
47	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading
48	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
49	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
50	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
51	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
52	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
53	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
54	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
55	Gedeon Richter Bolivia SRL (2)	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
56	Gedeon Richter Australia PTY Ltd.	Australia	100.00	100.00	100.00	100.00	Pharmaceutical trading

	Name	Place of incorporation / registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			2021	2020	2021	2020	
57	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
58	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
59	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
60	Finox Biotech UK and Ireland Ltd.[3]	UK	-	100.00	-	100.00	Marketing services
61	Gedeon Richter Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
62	Gedeon Richter Bulgaria eood	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
63	Gedeon Richter Farma O.O.O	Russia	100.00	100.00	100.00	100.00	Marketing services
64	Pharmapolis Gyógyszeripari Tudományos Park Kft.	Hungary	100.00	100.00	100.00	100.00	Building project management
65	Forhercare Kft.	Hungary	100.00	100.00	100.00	100.00	Pharmaceutical retail

(1) The company had been sold in July 2021.
(2) The company's principal activity has been suspended.
(3) The company had been liquidated in 2021.

Subsidiaries newly included in the consolidation

	Name	Date of establishment	Place of incorporation / registration and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				2021	2020	2021	2020	
66	Gedeon Richter Vietnam Ltd	08 2021	Vietnam	100.00	-	100.00	-	Pharmaceutical trading, marketing services

33. Non-current financial liabilities at FVTPL

Accounting policy

The Group may hold a variety of derivative financial instruments to manage its interest rate and foreign currency risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps and options.

Derivatives are initially recognized at fair value at the inception of the contract and are remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss, unless the Company has designated the derivative as a hedging instrument and is an effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Positive fair value derivatives are accounted for as financial assets, while negative fair value derivatives are accounted for as financial liabilities. Derivative financial instruments are classified as non-current assets and non-current liabilities if the remaining maturity of the instrument exceeds 12 months and no realization is expected within 12 months. Other derivatives are presented under current financial assets at fair value and current financial liabilities at FVTPL.

Accounting principles of Non-current financial liabilities at FVTPL are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Debt on issue of bonds	54,468	-
Other non-current financial liabilities at FVTPL	833	805
Derivative financial instruments	8,518	-
Total	**63,819**	**805**

Debt on issue of bonds

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme (“NKP”) of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The “RICHTER 2031 HUF Bonds” (short name: RICHTER31) were issued with following terms:

- Total face value: HUF 70,000 million
- Maturity: 10 years
- Repayment schedule of the principal: 10-10-10% in 2028, 2029 and 2030, 70% at maturity in 2031
- Coupon amount: 1.75% per annum
- Settlement date of interest and principal: 4th June respectively.

Financial liability derived from the issuance of bonds was initially recognised at fair value (HUF 63,213 million) that amount was calculated based on the price offered by independent market participants on the closed auction. The amount of premium received at issuance (HUF 7,060 million) is presented among Other non-current liabilities and accruals in the Consolidated Balance Sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond.

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 11.

The balance of debt on issue of bonds was HUF 54,468 million on December 31, 2021, and HUF 1,225 million was transferred to Current liabilities at FVTPL.

The fair value of the financial liability derived from the issuance of bonds was classified as Level 2 because of the lack of an active market. The Company used the discounted cash-flow method to determine the fair value of the liability and discounted the cash-flows from payments of interest and principal. The discount rate was calculated based on the relevant zero-coupon rates as at the date of valuation and considered a margin between the commercial bank offers at the auction and the yield of the government bonds.

34. Lease liability

Accounting policy
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.

Depreciation is 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

	31 December 2021 HUFm	**31 December 2020** HUFm
Lease liability (long-term)	12,722	10,754
Lease liability (short-term)	4,595	3,802
Total	**17,317**	**14,556**

In 2020 and in 2021 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 596 million expenses from short-term, low-value and variable lease payments (in 2020 it was HUF 1,388 million).

35. Other non-current liabilities and accruals

Accounting principles of Government grants are described more specifically in Note 21.

	31 December 2021 HUFm	31 December 2020 HUFm
Government grants - deferred income	6,894	6,733
Premium of Bond Funding for Growth Scheme	5,927	-
Other non-current liabilities 3rd parties	9	14
Total	**12,830**	**6,747**

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

The amount of premium received at bond issuance is presented among Other non-current liabilities and accruals in the Consolidated Balance Sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond. For detailed information please see Note 33.

36. Provisions

Accounting policy
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 2021 and as of 31 December 2020.
- 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.

Pension program and other long-term employee benefits

The Group operates a post-employment benefit program. Beside the Parent Company some subsidiaries 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.

	31 December 2021 HUFm	**31 December 2020** HUFm
Short-term provisions	3,121	4,866
Long-term provisions – for retirement and other long-term benefits*	5,878	6,653
from this defined retirement benefit plans at the Parent	*3,824*	*4,350*
from this defined retirement benefit plans at GR Polska	*716*	*858*
from this defined retirement benefit plans at PregLem	*270*	*255*
from this defined retirement benefit plans at GR Ecuador	*42*	*29*
from this defined retirement benefit plans at GR Bulgaria	*14*	*9*
Total	**8,999**	**11,519**

* The balance of long-term provisions contains jubilee and similar long-term benefits.

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.

	2021 HUFm	**2020** HUFm
Opening value of retirement benefit	4,350	2,466
Interest costs (charged to the P&L)	122	-
Current service costs (charged to the P&L)	197	202
Settlement	(129)	(158)
Actuarial (gain)/loss (charged to the OCI)	(716)	1,840
Retirement benefit liability	**3,824**	**4,350**

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 using a Nelson-Siegel curve fitting, based on the market yields at the end of 2021 and 2020.

Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate
1	3.32%	11	4.61%	21	4.65%	31	4.67%	41	4.67%
2	3.99%	12	4.61%	22	4.65%	32	4.67%	42	4.67%
3	4.28%	13	4.62%	23	4.65%	33	4.67%	43	4.67%
4	4.42%	14	4.63%	24	4.66%	34	4.67%	44	4.67%
5	4.49%	15	4.63%	25	4.66%	35	4.67%	45	4.68%
6	4.53%	16	4.64%	26	4.66%	36	4.67%	46	4.68%
7	4.55%	17	4.64%	27	4.66%	37	4.67%	47	4.68%
8	4.57%	18	4.64%	28	4.66%	38	4.67%	48	4.68%
9	4.59%	19	4.65%	29	4.66%	39	4.67%	49	4.68%
10	4.6%	20	4.65%	30	4.66%	40	4.67%	50	4.68%

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

The exit rates used were determined by analyzing the historical data of the Company.

Annual average rate of fluctuation used in the calculation for 2021 and 2020:

Age	Annual average rate of fluctuation	
	2021	2020
0-25	9.9%	8.3%
26-30	9.0%	8.2%
31-35	7.2%	6.8%
36-40	5.9%	5.5%
41-45	4.6%	4.1%
46-50	3.2%	2.8%
51-55	2.6%	2.3%
56-60	2.3%	2.1%
61-	2,3%	1.9%

Sensitivity analyses

The following sensitivity analyses have been carried out in conjunction with employee benefits:

- Shifting the discount curve by -50 basis points (-0.5%)
- Shifting the discount curve by 50 basis points (+0.5%)
- 50 basis points lower inflation rate (-0.5%)
- 50 basis points higher inflation and index rate (+0.5%)
- 25% decline in annual resignation rates (-25%)
- 25% increase in annual resignation rates (+25%)
- For mortality rates, value calculated without the 50% selection factor (population mortality data)

	Sensitivity	Retirement benefit liability	Change (%)
Value of liability		**3,824**	
Reduced discount curve	-0.50%	4,055	6%
Increased discount curve	0.50%	3,613	-6%
Lower inflation rate	-0.50%	3,612	-6%
Higher inflation and index rate	0.50%	4,074	7%
Reduced resignation rates	75.00%	4,172	9%
Increased resignation rates	125.00%	3,522	-8%
Population mortality data	100.00%	3,575	-7%

A 50 basis point shift in the discount curve results in a 6% higher or 5% lower liability value. A 50 basis point decrease in wage inflation results in a 5% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 6% increase in the provision with all other assumptions held constant.
The model is sensitive to the value of the resignation rate, as illustrated by the fact that a reduction in the rates to 75% results in a 9% increase in the liability, while an increase in the rates to 125% results in an 8% decrease in the year-end value of provisions.
In addition, using population mortality data instead of applying a 50% selection factor would result in a 6% lower provision value.

37. Borrowings

Accounting policy
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.

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.

The Group does not have any long and short-term borrowings. The Group has also arbitrage and short-term financing transactions.

38. Trade payables

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

	31 December 2021 HUFm	31 December 2020 HUFm
Trade payables (3rd parties)	79,482	65,337
Amount due to related companies and other investments	156	501
Total	**79,638**	**65,838**

39. Contract liabilities

Accounting policy
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.

	31 December 2021 HUFm	31 December 2020 HUFm
Contract liabilities	1,593	772
Total	**1,593**	**772**

40. Current financial liabilities at FVTPL

Accounting principles of Current financial liabilities at FVTPL are described more specifically in Note 9 and Note 11.

	31 December 2021 HUFm	31 December 2020 HUFm
Debt on issue of bonds	1,225	-
Other current financial assets at FVTPL	1,967	3,971
Derivative financial instruments	85	43
Total	**3,277**	**4,014**

The Group recognises the coupon payment of „RICHTER31" bond, that is due in 2022 as a current liability at fair value in amount of HUF 1,225 million. The applied accounting policy and measurement method can be found in Note 33 „Debt on issue of bonds".

The current liabilities at FVTPL contain foreign currency forwards, including trading and hedging transactions too in amount of HUF 85 million. The details can be found in Note 11.

41. Other current liabilities and accruals

	31 December 2021 HUFm	31 December 2020 HUFm
Short-term accruals	13,312	11,634
Premium of Bond Funding for Growth Scheme	722	-
Other current liabilities	3,705	3,056
Dividend payable	164	156
Wages and payroll taxes payable	8,963	7,934
Other taxes	743	1,666
Deposits from customers	658	472
Total	**28,267**	**24,918**

42. Net cash position

Net cash position was previously presented of cash and cash equivalents and lease liability. Due to the debt on issue of bond the net cash position consists of all relevant financial asset and financial liabilities related to this transaction.

Net cash	31 December 2021 HUFm	31 December 2020 HUFm
Cash and cash equivalents	59,856	142,068
Cash and cash equivalents of disposal groups classified as held for sale (Note 50)	(194)	194
Non-current financial assets at FVTPL	61,887	2,596
Derivative financial assets (interest rate swap)	9,012	-
Debt on issue of bonds	(55,693)	-
Derivative financial liabilities (interest rate swap)	(8,476)	-
Lease liability	(17,317)	(14,556)
Total	**49,075**	**130,302**

	Other assets			Liabilities from financing activities			Total
	Cash/bank overdraft	Non-current financial assets at FVTPL	Derivative financial assets (interest rate swap)	Debt on issue of bonds	Derivative financial liabilities (interest rate swap)	Lease liability	
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Net cash as at 1 January 2020	**128,573**	**-**	**-**	**-**	**-**	**(14,025)**	**114,548**
Changes from financing cash-flow	16,336	2,767	-	-	-	3,752	**22,855**
New lease liability	-	-	-	-	-	(4,248)	**(4,248)**
Effect of foreign exchange changes	(2,647)	-	-	-	-	(35)	**(2,682)**
Other non-cash movements	-	(171)	-	-	-	-	**(171)**
Net cash as at 31 December 2020	**142,262**	**2,596**	**-**	**-**	**-**	**(14,556)**	**130,302**
Changes from financing cash-flow	(84,009)	70,129	-	(70,273)	-	2,692	**(81,461)**
New lease liability	-	-	-	-	-	(5,406)	**(5,406)**
Effect of foreign exchange changes	1,603	-	-	-	-	(47)	**1,556**
Other non-cash movements	-	(10,838)	9,012	14,580	(8,476)	-	**4,278**
Cash and cash equivalents of disposal groups classified as held for sale (Note 50)	(194)	-	-	-	-	-	**(194)**
Net cash as at 31 December 2021	**59,662**	**61,887**	**9,012**	**(55,693)**	**(8,476)**	**(17,317)**	**49,075**

43. Dividend on ordinary shares

Accounting policy
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.

	2021 HUFm	2020 HUFm
Dividend on ordinary shares	41,934	11,741

A dividend of HUF 225 per share (HUF 41,934 million) was declared in respect of the 2020 results, approved at the Company's Annual General Meeting on 15 April 2021 and paid during the year.

44. 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 2021 HUFm	31 December 2020 HUFm
Contractual capital commitments of Parent	12,439	7,312
Contractual capital commitments of AO Gedeon Richter -RUS	74	1,212
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	35,595	34,450
Capital expenditure that has been authorised by the directors but has not yet been contracted for at AO Gedeon Richter-RUS	922	1,986

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

45. 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 9.

46. Employee information

	2021	2020
Average number of people employed during the year	12,546	12,885

47. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 15.5% and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2021 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 1,920 million in 2021 (in 2020 HUF 1,823 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 47 million in 2021 and HUF 44 million in 2020.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 571 million and HUF 1,589 million in 2021 and 2020, 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.

48. 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.

Finally, in December 2021 the High Court of Cassation and Justice has ruled in favor of Pharmafarm in the claw-back tax litigation and after that the National Authority of Fiscal Administration issued the decision to cancel the claw-back tax for Pharmafarm.
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 supplimentary tax provision of RON 4.1 million is built up in 2020. From a pure legal perspective at the end of 2021, the chances of Gedeon Richter Romania S.A for winning the case at the court should remain unchanged.

49. 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 Hungarian National Asset Management Incorporated, 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 11 August 2021 Richter informed its shareholders that according to the notice received from HNAM Inc. on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

	2021 HUFm	2020 HUFm
Dividend paid to HNAM Inc.	2,203	1,792

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.

49.1 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 2021 HUFm	31 December 2020 HUFm
Loans to associated companies	158	155
Impairment on loans provided to associates (in the balance sheet)	(158)	(3)
Impairment on loans provided to associates (in the profit and loss)	(155)	(3)
Convertible promissory note to associates	1,664	1,664
Impairment on convertible promissory note to associates (in the balance sheet)	(1,664)	-
Impairment on convertible promissory note to associates (in the profit and loss)	(1,664)	-
Trade receivables (joint ventures)	313	23
Trade receivables (associates)	3,380	4,713
Trade payables (associates)	7	9
Revenue from joint ventures	199	376
Revenue from associates	17,612	16,747

The loans are in Hungarian Forint, all of them are short-term as at 31 December 2021.
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 2021.

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 2021 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.

49.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2021	**2020**
	HUFm	HUFm
Board of Directors	96	72
Supervisory Board	32	27
Total	**128**	**99**

49.3 Key management compensation

	2021	**2020**
	HUFm	HUFm
Salaries and other short-term employee benefits	1,924	2,300
Share-based payments	946	920
Total short-term compensation	**2,870**	**3,220**
Pension contribution paid by the employer	298	385
Total	**3,168**	**3,605**

From 2018 share-based payments were modified due to the introduction of the Employee's Share-Ownership Program, please see further details in Note 31.

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, considered as Key management, constituting 56 people.
There were no redundancy payments to key management members neither in 2021 nor in 2020.

50. Assets and disposal groups classified as held for sale and related liabilities

Accounting policy
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.

50.1 Description

In 2020, the Parent Company management decided to sell its investments in Moldova (I.M. Gedeon Richter-Retea Farmaceutica S.R.L and I.M. Rihpangalpharma S.R.L, pls. see Note 32). The assets and liabilities of these subsidiaries were consequently presented as held for sale in 2020 financial statements.

The subsidiaries were sold on 7th July 2021 with effect from 1st July 2021 and is reported in the current period as disposal of subsidiary. Financial information relating to the disposal for the period to the date of the sale is set out below.

50.2 Details of the sale of the subsidiaries

	31 December 2021 HUFm	31 December 2020 HUFm
Consideration received or receivable		
Cash	2,212	-
Carrying amount of net assets sold	(1,745)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	**467**	**-**
Reclassification of foreign currency translation reserve	(70)	-
Unrealised profit elimination (on Inventories)	624	-
Deferred tax asset on unrealised profit elimination	(73)	-
Settlement of Non-controlling interest	443	-
Gain on sale of investment	**1,391**	**-**

The carrying amounts of assets and liabilities as at the date of sale (7 July 2021) were:

	7 July 2021 HUFm
Property, plant and equipment	1,102
Other intangible assets	10
Inventories	3,153
Trade receivables	1,821
Other current assets	207
Cash and cash equivalents	94
Total assets	**6,387**
Other non-current liabilities and accruals	(1,535)
Lease liability (long-term)	(133)
Trade payables	(2,859)
Lease liability (short-term)	(32)
Other current liabilities and accruals	(83)
Total liabilities	**(4,642)**
Net assets	**1,745**

50.3 Assets and liabilities of sold group classified as held for sale

The following assets and liabilities were classified as Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as at 31 December 2020:

	31 December 2021 HUFm	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 current liabilities and accruals	-	60
Liabilities directly associated with assets classified as held for sale	**-**	**1,735**

The cumulative foreign exchange difference recognised in the other comprehensive income in relation to the sold subsidiaries as at 31 December 2020 was not significant.

51. Decision made on relevant accounting policy

The following accounting policies are newly applied from the current year and have material impact on the Group when adopted.

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market. The Group decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 33.

In the fourth quarter of 2021, the management reviewed its financial risk management strategy in relation to its exposure to currency risk. In December 2021, the management decided to change its risk management policy and started to apply hedge accounting prospectively to mitigate the Group's exposure arising from currency risk related to highly probable forecasted sales transactions. The Group did not apply hedge accounting previously, for detailed information please see Note 11.

52. Notable events in 2021

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.

The asset purchase agreement concluded in December 2020 between Richter and Janssen Pharmaceutical NV, a wholly owned subsidiary of Johnson & Johnson, was financially closed on 7 January 2021. The purpose of the agreement was the acquisition of the contraceptive patch Evra® for markets outside the United States.

On 15 January 2021, the Richter announced that the European Commission had adopted the CHMP (Committee for Medicinal Products for Human Use) 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.

At the end of March 2021, Richter and Mithra Pharmaceuticals announced that the CHMP has adopted a positive opinion for a novel combined oral contraceptive containing estetrol and drospirenone. On 20 May 2021, the European Commission has granted approval for the marketing authorization of the oral contraceptive which will be applicable for all Member States in the European Union. The product will be marketed in Europe by Richter under the brand name Drovelis.

On 21 May 2021, the Company announced that the CHMP has adopted a positive opinion recommending approval of Ryeqo for the treatment of moderate to severe symptoms of uterine fibroids in adult women of reproductive age. On 20 July of the same year, the European Commission has granted approval for the marketing authorisation of the product which will be applicable for all Member States in the European Union.

On 2 June 2021, the Company announced that the licensing agreement with AbbVie in the US was extended to include the marketing and development of cariprazine in Japan and Taiwan.

On 2 June 2021, Richter held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

On 21 June 2021, th Company announced that it has signed a multi-party agreement to divest its wholesale operation to Grin-Farm S.R.L. and its retail operations to BIRIVOFARM S.R.L., both in the Republic of Moldova. Richter as a majority owner of both the wholesale and the retail operations is entitled to approximately 62% of the purchase price, which is receivable upon the closure of the deal.

On 11 August 2021 Richter informed its shareholders that according to the notice received from Hungarian National Asset Management Incorporated (HNAM Inc.) on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

On 29 October 2021, Richter's partner, AbbVie announced topline results from two Phase III clinical trials, evaluating the efficacy and safety of cariprazine as an adjunctive treatment for patients with major depressive disorder (MDD). In a first Phase III clinical trial, cariprazine met its primary endpoint demonstrating statistically significant change from baseline to week six in the Montgomery-Åsberg Depression Rating Scale (MADRS) total score in patients with major depressive disorder. In a second Phase III clinical trial, cariprazine demonstrated numerical improvement in depressive symptoms from baseline to week six in MADRS total score compared with placebo but did not achieve statistical significance. Safety data were consistent with the established safety profile of cariprazine across indications with no new safety signals identified. Based on the positive results of clinical trials and the totality of data reported, AbbVie intends to submit a supplemental New Drug Application with the U.S. Food and Drug Administration (FDA) for the expanded use of cariprazine for the adjunctive treatment of MDD.

On 9 December 2021, Richter and Hikma Pharmaceuticals PLC entered into an exclusive licensing agreement for the sale of products containing the API denosumab in the United States. (reference product: Amgen's branded products Prolia and Xgave)

53. Events after the date of the balance sheet

On 22 February 2022 Richter announced, that its partner, AbbVie submitted a supplemental New Drug Application (sNDA) for cariprazine (Vraylar®) to the U.S. Food and Drug Administration (FDA) for the adjunctive treatment of major depressive disorder (MDD) in patients who are receiving ongoing antidepressant therapy. The submission is supported by results from previously announced clinical trials.

The recent political situation in Ukraine has been volatile, with changes in the Ukrainian Parliament and the Presidency. After March 2014, the accession of the Republic of Crimea to the Russian Federation resulted in a significant deterioration of the relationship and eventually war conflict between Ukraine and the Russian Federation. The impact of the situation after the Russian invasion on the Group's financial statements is presented in note 3.1. Key sources of estimation uncertainty.

Management is not aware of other post-balance sheet date events that might be material to the Group's business.

54. Approval of financial statements

Current Consolidated Financial Statements have been approved by the Board of Directors and authorised for release at 9 March 2022.

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 the interim management report published today, which contains the Group's 12 months to December 2021 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. and its 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 period and their impact on the financial position of Gedeon Richter Plc. and its subsidiaries included in the consolidation.

Budapest, 9 March 2022.

Gábor Orbán
Chief Executive Officer

GEDEON RICHTER PLC.

SEPARATE IFRS FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Gábor Orbán
Chief Executive Officer

Budapest, 9 March 2022

Table of Contents

Income Statement

	Notes	2021 HUFm	2020 HUFm
Revenues	**4**	**454,244**	**412,974**
Cost of sales		(147,431)	(134,482)
Gross profit		**306,813**	**278,492**
Sales and marketing expenses		(100,358)	(92,271)
Administration and general expenses		(16,854)	(17,034)
Research and development expenses		(60,365)	(53,023)
Other income and other expenses (net)	5	(8,301)	(14,183)
Net impairment losses on financial and contract assets		537	(1,774)
Profit from operations	**5**	**121,472**	**100,207**
Finance income	6	42,305	36,101
Finance costs	6	(22,576)	(37,585)
Net financial income / (loss)	**6**	**19,729**	**(1,484)**
Profit before income tax		**141,201**	**98,723**
Income tax	7	(38)	(5,506)
Profit for the year		**141,163**	**93,217**
Consolidated Earnings per share (HUF)	**8**		
Basic and diluted		751	563

The notes on pages 235 to 316 form an integral part of the Separate Financial Statements.

9 March 2022

.....
Chief Executive Officer

Statement of Comprehensive Income

	Notes	2021 HUFm	2020 HUFm
Profit for the year		**141,163**	**93,217**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial loss on retirement defined benefit plans	35	716	(1,840)
Changes in the fair value of equity investments at fair value through other comprehensive income	19, 27	2,094	(1,588)
		2,810	**(3,428)**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Fair value gain/(loss) on cash flow hedges	30	(23)	-
Changes in fair value of debt instruments at fair value through other comprehensive income	19, 27	(1,620)	-
		(1,643)	**-**
Other comprehensive income for the year		**1,167**	**(3,428)**
Total comprehensive income for the year		**142,330**	**89,789**

The notes on pages 235 to 316 form an integral part of the Separate Financial Statements.

9 March 2022

.....
Chief Executive Officer

Balance Sheet

	Notes	31 Dec. 2021 HUFm	31 Dec. 2020 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	12	206,814	196,497
Intangible assets	14	178,867	97,567
Investments in subsidiaries, associates and joint ventures	15, 16	127,973	126,217
Non-current financial assets at amortised cost	17	39,508	34,344
Non-current financial assets carried at fair value through profit or loss	18	93,758	10,797
Non-current financial assets carried at fair value through other comprehensive income	19	73,315	37,977
Deferred tax assets	20	5,256	-
Long term receivables	21	2,062	2,052
		727,553	**505,451**
Current assets			
Inventories	22	92,335	77,256
Trade receivables	24	161,965	138,961
Contract assets	23	2,452	1,405
Other current assets	25	20,873	16,954
Current financial assets at amortised cost	26	7,398	6,086
Current financial assets at fair value	27	296	7,142
Current tax asset	28	154	70
Cash and cash equivalents	29	33,850	116,393
		319,323	**364,267**
Assets classified as held for sale	49	-	192
		319,323	**364,459**
TOTAL ASSETS		**1,046,876**	**869,910**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	30	18,638	18,638
Treasury shares	31	(512)	(951)
Share premium	30	15,214	15,214
Capital reserves	30	3,475	3,475
Revaluation reserves for financial assets at fair value through other comprehensive income	30	977	665
Cash-flow hedge reserve	30	(23)	-
Retained earnings		856,599	756,349
		894,368	**793,390**
Non-current liabilities			
Non-current financial liabilities at fair value through profit or loss	32	64,804	1,757
Lease liabilities	33	1,416	985
Other non-current liabilities and accruals	34	12,668	6,551
Provisions	35	4,609	5,372
		83,497	**14,665**
Current liabilities			
Borrowings	36	1,105	4,961
Trade payables	37	46,497	36,717
Current tax liabilities	28	1,313	590
Current financial liabilities at fair value through profit or loss	39	4,118	4,293
Lease liabilities	33	652	513
Other current liabilities and accruals	40	15,300	13,545
Provisions	35	26	1,236
		69,011	**61,855**
TOTAL EQUITY AND LIABILITIES		**1,046,876**	**869,910**

The notes on pages 235 to 316 form an integral part of the Separate Financial Statements.

9 March 2022

.....
Chief Executive Officer

Statement of Changes in Equity

	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserve for financial assets at FVOCI	Cash flow hedge reserve	Retained earnings	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2020		**18,638**	**15,214**	**3,475**	**(3,875)**	**9,507**	**-**	**674,100**	**717,059**
Profit for the year		-	-	-	-	-	-	93,217	93,217
Actuarial loss on defined benefit plans	35	-	-	-	-	-	-	(1,840)	(1,840)
Revaluation reserve for securities at FVOCI	19, 27	-	-	-	-	(8,842)	-	7,254	(1,588)
Comprehensive income for year ended 31 December 2020		**-**	**-**	**-**	**-**	**(8,842)**	**-**	**98,631**	**89,789**
Purchase of treasury shares	31	-	-	-	(1,650)	-	-	-	(1,650)
Transfer of treasury shares	31	-	-	-	4,574	-	-	(4,574)	-
Recognition of share-based payments	30	-	-	-	-	-	-	(67)	(67)
Ordinary share dividend for 2019	42	-	-	-	-	-	-	(11,741)	(11,741)
Transactions with owners in their capacity as owners for year ended 31 December 2020		**-**	**-**	**-**	**2,924**	**-**	**-**	**(16,382)**	**(13,458)**
Balance at 31 December 2020		**18,638**	**15,214**	**3,475**	**(951)**	**665**	**-**	**756,349**	**793,390**
Balance at 1 January 2021		**18,638**	**15,214**	**3,475**	**(951)**	**665**	**-**	**756,349**	**793,390**
Profit for the year		-	-	-	-	-	-	141,163	141,163
Actuarial gain on defined benefit plans	35	-	-	-	-	-	-	716	716
Changes in the fair value of financial assets at FVOCI	19, 27	-	-	-	-	312	-	162	474
Change in fair value of hedging instruments recognised in OCI		-	-	-	-	-	(23)	-	(23)
Comprehensive income for year ended 31 December 2021		**-**	**-**	**-**	**-**	**312**	**(23)**	**142,041**	**142,330**
Purchase of treasury shares	31	-	-	-	(3,014)	-	-	-	(3,014)
Transfer of treasury shares	31	-	-	-	3,453	-	-	(3,453)	-
Recognition of share-based payments	30	-	-	-	-	-	-	3,596	3,596
Ordinary share dividend for 2020	42	-	-	-	-	-	-	(41,934)	(41,934)
Transactions with owners in their capacity as owners for year ended 31 December 2021		**-**	**-**	**-**	**439**	**-**	**-**	**(41,791)**	**(41,352)**
Balance at 31 December 2021		**18,638**	**15,214**	**3,475**	**(512)**	**977**	**(23)**	**856,599**	**894,368**

The notes on pages 235 to 316 form an integral part of the Separate Financial Statements.

Cash Flow Statement

for the year ended 31 December

	Notes	2021 HUFm	2020 HUFm
Operating activities			
Profit before income tax		141,201	98,723
Depreciation and amortisation	5.,12.,14	32,978	27,800
Non-cash items accounted through Income Statement		(10,243)	5,227
Net interest and dividend income	6	(11,385)	(8,936)
Reclass of results on changes of property, plant and equipment and intangible assets		631	697
Impairment recognised on intangible assets	14	2,592	4,477
Impairment on investments	15	2,381	10,553
Expense recognised in respect of equity-settled share based payments	30	3,804	3,447
Changes in assets classified as held for sale	49	192	-
Movements in working capital			
Increase in trade and other receivables	24, 25	(25,072)	(921)
Increase in inventories	22	(17,429)	(14,917)
Increase/(decrease) in payables and other liabilities	34, 37, 40	10,414	(10,095)
Interest paid	6	(661)	(219)
Income tax paid	7, 28	(4,912)	(4,234)
Net cash flow from operating activities		**124,491**	**111,602**
Cash flow from investing activities			
Payments for property, plant and equipment	12	(30,354)	(32,893)
Payments for intangible assets	14	(96,541)	(29,198)
Proceeds from disposal of property, plant and equipment		130	306
Payments to acquire financial assets		(142,951)	(46,555)
Proceeds on sale or redemption on maturity of financial assets		31,776	11,544
Disbursement of loans		(3,298)	(5,684)
Loans repaid by borrowers		1,819	7,455
Government grant received related to investments	34	693	2,197
Interest received	6	5,160	2,589
Dividend received	6	6,886	6,566
Net cash outflow on acquisition of subsidiaries	14	-	(3)
Net cash flow to investing activities		**(226,680)**	**(83,676)**
Cash flow from financing activities			
Purchase of treasury shares	31	(3,014)	(1,650)
Dividend paid	42	(41,934)	(11,741)
Principal elements of lease payments	12	(483)	(887)
Repayment of borrowings	36	(244,846)	(4,996)
Proceeds from borrowings	36	315,119	-
Net cash flow to financing activities		**24,842**	**(19,274)**
Net (decrease)/increase in cash and cash equivalents		**(77,347)**	**8,652**
Cash and cash equivalents at beginning of year	**29**	**116,236**	**106,869**
Effect of foreign exchange rate changes on the balances held in foreign currencies		14	715
Cash and cash equivalents at end of year	**29**	**38,903**	**116,236**

The notes on pages 235 to 316 form an integral part of the Separate Financial Statements.

Notes to the Financial Statements

1. General background

1.1. Legal status and nature of operations

Gedeon Richter Plc. ("the Company") is a manufacturer of pharmaceutical products registered in Hungary. The Company was established in 1923. The predecessor of the Company was founded in 1901 by Mr. Gedeon Richter, by acquiring 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.

Name of the Company	Chemical Works of Gedeon Richter Plc.
Short name of the Company	Gedeon Richter Plc.
Date of foundation of legal predecessor:	2 October 1923
Address of the Company:	1103 Budapest, Gyömrői út 19-21.
Sites of the Company:	2510 Dorog, Esztergomi út 27. 4031 Debrecen, Richter Gedeon utca 20. 4031 Debrecen, Kígyóhagyma utca 8. 6720 Szeged, Eötvös u 6. 7673 Kővágószőlős, 505/2 hrsz.
Website of the Company:	www.gedeonrichter.com
Date of the first Articles of Association:	24 July 1923
Date of the effective Articles of Association:	15 April 2021
Reference and place of last Company Court registration:	Cg. 01-10-040944 Budapest
Current registered capital:	HUF 18,637,486,000
Principal activity:	Manufacture of pharmaceutical products
TEÁOR No.:	2120'08
Duration of the Company:	Indefinite
Business year:	Corresponding to the calendar year
Name and address of the auditor company:	Deloitte Könyvvizsgáló és Tanácsadó Ltd.
	1068 Budapest, Dózsa György út 84/C.
The person responsible for the audit is:	Tamás Horváth
Registration number at the Chamber of Hungarian Auditors:	003449
Company announcements are published in:	Company Gazette
	www.gedeonrichter.com www.bet.hu
Name of the person authorized to sign on behalf of the Company:	Gábor Orbán
Address:	Budapest
The person responsible for the Management and supervision of the tasks relating to book-keeping is:	Judit Kozma
Address:	Budapest
Registration number:	184862

1.2. Basis of preparation

This report is the Company's separate annual financial statement, and it has been prepared in accordance with the International Financial Reporting Standards ('IFRS') accepted by the European Union (EU).

The statement prepared for the balance sheet date as of 31 December 2021 is a complete set of separate IFRS financial statement of the Company (Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement), including comparative figures for the previous period, i.e. the closing balance of 31 December 2020.

The Company also prepares consolidated financial statements as parent company of the group. These financial information can be downloaded from:
https://www.gedeonrichter.com/en/investors/annual-general-meeting

The financial statements have been prepared on the historical cost basis of accounting except for certain financial instruments which are valued at fair value. The amounts in the separate financial statements are stated in millions of Hungarian Forints (HUFm), unless stated otherwise.

The principal accounting policies applied in the preparation of these financial statements are set out below or in the relevant note. Please see details of the application of the new accounting policies in Note 50.

The preparation of separate 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 accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

1.3. The impact of the COVID-19 pandemic on the Company

A vertically integrated business model coupled with a corporate culture based on trust and cooperation enabled the Company to continue its business undisturbed despite the extraordinary situation.
Richter 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 24 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 Company's liquidity are reported in Point 1.3 of Note 9.
The violent exchange rate swings caused by the COVID pandemic in 2020 were no longer significant in 2021. As economies adapted to the pandemic, the impact of COVID was integrated with the multitude of factors affecting exchange rates, so that Richter no longer faced a significant COVID-specific exchange rate risk in 2021.

The Company has not concluded major lease agreements; therefore the value of COVID-19-related lease payment allowances is not significant. The Company 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 12, and lease liabilities are disclosed in Notes 33.
As regards sales, demand continues to fall behind the levels of previous years due to restrictions on doctor-patient encounters, although there was some improvement compared to 2020. Supply was also lower than in the past due to stricter regulation of promotional activity based on face-to-face visits. Nevertheless, the proportion of face-to-face visits improved compared to the reference year. 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 Company 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 22.

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 2020 in an effort to help commuting staff avoid the use of public transport Richter supports 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. However, in 2021 there were no payments similar to those made in 2020.
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. A similar subsidy (HUF 441 million) was allocated in the context of the Economic Development and Innovation Operational Programme EDIOP-5.3.16 – Competitive Central-Hungary Operational Programme CCHOP-20 supporting employment in the RD&I sector during the state of danger pursuant to Government Decree 693 of 2020 (29 December).
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. In 2021, the Company continued to provide a number of grants to health care institutions in an effort to help them fill equipment shortages consequent to the pandemic, and to help educational institutions purchase computers and IT equipment for distance learning. In 2021, the members of Richter's Board of Directors and Supervisory Board, together with the Company, donated HUF 12 million to the István Regőczi Foundation, which provides assistance to orphans of parents who died of the coronavirus. In addition, Richter Directors and SB members donated one month's honorarium, totalling HUF 6 million, to the National Ambulance Service.

1.4. Adoption of new and revised standards

A) The following standards and amended standards became effective for the Company from 1 January 2021, but did not have any material impact on the Company:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2" - 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 - adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021),

- Amendments to IFRS 16 "Leases" - COVID-19-Related Rent Concessions beyond 30 June 2021 - adopted by EU on 30 August 2021 (effective for annual periods beginning on or after 1 April 2021).

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

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

- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (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 (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 effective for annual periods beginning on or after 1 January 2023).

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

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

- Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- IFRS 17 "Insurance Contracts" Initial Application of IFRS 17 and IFRS 9- Comparative Information (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),

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Any other new/modified standard or interpretation is not expected to have a significant impact on the financial statements of the Company.

2. Summary of significant accounting policies

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

2.1. Transactions and balances in foreign currencies

The financial statements are prepared and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional and presentation currency of the Company is Hungarian Forint (HUF).

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

The Company recognizes the foreign currency monetary assets and liabilities using the Hungarian National Bank (MNB) currency rate as of the recognition. The Company revaluates at the year end all monetary assets and liabilities using the year end exchange rate of MNB. In case the foreign currency is not

registered by the Hungarian National Bank, the Company uses the Bloomberg transactional currency/USD and the MNB HUF/USD cross rates for determining the foreign exchange rate.
In cases where the Company's transaction currency is not quoted by the Hungarian National Bank (MNB), the conversion into HUF is made using the cross rates calculated from the functional transaction currency to USD rate published by Bloomberg and the functional currency to USD rate published by the MNB. In special cases (in the absence of the above, or if the scheduling of daily transaction tasks do not allow waiting for the publication by Bloomberg of the transaction currency to USD exchange rate referred to above), the conversion into HUF shall be carried out at the cross rate calculated from the transaction currency to USD rate published by the national bank issuing the transaction currency and the functional currency to USD rate published by the MNB.

2.2. Revenue recognition, interest income and dividend income

Revenue is measured at the fair value of the consideration received or receivable to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is shown net of value-added tax, returns, rebates, discounts as well as considering the estimated discounts to be provided after the sales already performed. Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Some of the customer contracts contains a right of return clause under certain condition, but the estimated effect of such future returns deemed to be immaterial. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Variability mainly relates to the discounts referred above, where revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

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

- sale of pharmaceutical products produced by the Company,
- wholesale activity of purchased products within the pharmaceutical industry,
- royalty and license income from products already on the market arising from license agreements with various pharmaceutical companies,
- performance-related milestone payments received for products with marketing authorisation (eg, 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 Company manufactures and sells a range of pharmaceutical products.
Revenue is recognized when it is likely that the Company satisfies a performance obligation by transferring a promised goods to a customer. For the vast majority of contracts, revenue is recognized when the product is physically transferred and the customer obtains control, in accordance with the delivery and acceptance terms agreed with the customer.
Control refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the good. Obtaining control implies the ability to prevent other entities from directing the use of, and obtaining the benefits from a good. The Company most often uses the following trade terms: CIP, EXW, CIF, FOB, DAP, DDP, CPT.

In the case of contracts with wholesalers, Richter does not recognize revenue when the product is physically transferred to the wholesaler if the products are sold on consignment, or if the wholesaler acts as agent. In such cases, revenue is recognized when control is transferred to the end customer.
In certain cases, the Company has contract with customers, under which the Company produces pharmaceutical products which has no alternative use (e.g. due having a unique packaging) and receives a binding purchase order for the entire batch of products from the customer. This can provide the Company with an enforceable right to the payment for performance completed to date and in that case, the Revenue is accounted for in the amount of consideration to which an entity expects to be entitled in exchange for goods transferred. The Company 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 Company 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.

C) Licences and royalties
The royalty and licence income mainly comprise royalties received from licensing intellectual property rights to third parties, the most significant of which is the agreement with AbbVie in relation to Vraylar® as disclosed in Note 4.2.
Sales-based royalties received under licensing arrangements (including the Vraylar® contract referred above) are recognized over the period during which the underlying sales are recognized.
Certain contracts may include milestone payments related to products with marketing authorisation (eg, cumulative sales related milestone), where the associated revenue is accounted for when such a milestone is achieved.

D) 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 Company remeasures the progress towards complete satisfaction of such services and recognizes revenue accordingly.
The revenue from the services is recognised in accordance with the rate of completion of the transaction during the accounting period for the rendering services and is assessed based on direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

E) 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 (hereinafter AC) 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.

F) 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), and from subsidiaries, joint ventures, associates. Dividends 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.

All other accounting policy regulation are detailed in the relevant disclosure of the Financial Statement.

3. Key sources of estimation uncertainty and critical accounting judgements

In the application of the Company's accounting policies 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 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 Financial Statements are the following:

3.1. Key sources of estimation uncertainty

Russian-Ukrainian crisis

The recent political situation in Ukraine has been volatile, with changes in the Ukrainian Parliament and the Presidency. After March 2014, the accession of the Republic of Crimea to the Russian Federation resulted in a significant deterioration of the relationship and eventually war conflict between Ukraine and the Russian Federation.

In 2022 ongoing political tension in the region escalated as a result of further developments of the situation between Russia and Ukraine and Russian invasion which could negatively impact the foreign exchange rates of Russian ruble and Ukrainian hryvnia and commodity and financial markets, increase volatility and uncertainty and result in further sanctions or limitations on business activity of companies operating in the region.

Final resolution of the political and economic crisis in Ukraine and the final effects are difficult to predict but all of these may have further significant impact on the region's economy and the Company's business.

On the balance sheet date the Company has an exposure on the following items in the balance sheet:

Exposure factors (HUFm)	**Russia**	**Ukraine**	**Total**
Investments in subsidiaries	19,650	549	**20,199**
Loans given to subsidiaries	17,191	70	**17,261**
Trade receivables	35,123	5,094	**40,217**
- from this: amounts due from subsidiaries	*27,203*	*0*	***27,203***
Inventories	2,139	3,207	**5,346**
Cash and cash equivalents	5,421	0	**5,421**
All exposures	**79,524**	**8,920**	**88,444**

In 2021 the sales to the two countries amounted to 18% of the Company's total revenue (HUF 83,327 million).

	Russia	**Ukraine**	**Total**
Revenue in 2021 (HUFm)	68,880	14,447	**83,327**
Proportion of the total revenues	*15%*	*3%*	*18%*

It is not possible to determine how long this increased volatility will last or at what level the above financial indicators will eventually level out. It has been mentioned that a possible future sanction would be to restrict Russian entities from having access to the Euro and US$ markets including removing access to the international SWIFT system and in such a situation this could further impact the Company's ability to transfer or receive funds. Management does not consider the risk related to the logistics and supply chain to be critical at this moment. As for the Company's subsidiaries in Russia, they together have significant reserves that ensure their continuous operations.

In addition it is not possible for management to predict with any degree of certainty the impact of all this uncertainty on the future operations of the Company.

Depreciation and amortization

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortized 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 Company. 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.

Estimated useful lives are reviewed annually. If the estimated useful life was lower by 10%, depreciation for 2021 would be higher by HUF 3,605 million compared to what is currently recorded in the Financial Statement. This change would have been HUF 3,089 million in 2020.

The Company recognised depreciation and amortisation cost of HUF 32,442 million in 2021, and HUF 26,967 million in 2020. This amount does not contain the depreciation calculated for right-of-use assets.

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 536 million) comparing to the depreciation of the fixed assets (HUF 32,442 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use assets is not quantified.

3.2. Critical judgements in applying entities accounting policies

Deferred tax

The Company has significant deferred tax asset related to the deductible temporary differences of the tax loss carried forward. Deferred tax assets should be recognized for accrued unused negative tax bases to the extent that it is probable that sufficient future taxable profit will be available against which unused negative tax bases can be utilised.
Following a significant improvement in the financial performance in 2021, the Company the reviewed previously unrecognized tax losses and determined taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of HUF 2,790 million was recognized for these losses in 2021. The deferred tax expense in presented in Note 20.

4. Segment Information

4.1. The Richter Group segment information

We disclose segment information in the financial reports of the Company, as reviewed by the members of the Board of Directors as Chief Operating Decision Makers of Richter as a Parent Company. The Board of Directors is responsible for allocating resources between operating segments and for assessing these performances. As the Board of Directors focuses primarily on Group-level data, therefore Group Level Segment Information is presented in the consolidated financial statements.

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.

The Company belongs to the Pharmaceuticals segment therefore it has only one reportable segment in its separate financial statements.

4.2. The revenue information of Company

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

Analyses of revenue by category	**2021** HUFm	**2020** HUFm
Sales of goods	335,004	322,622
Revenue from services	905	774
Royalty income	118,335	89,578
Total revenues	**454,244**	**412,974**

Revenues of approximately HUF 101,569 million (2020: HUF 86,895 million) derived from one single external customer (AbbVie), that 22% of total revenues. The revenue is related to royalty payments of Vraylar® and located in the USA region. There was no other customer exceeding 10% of revenues neither in 2021 nor in 2020.

The customers of the Company are domiciled in the following regions in which the realized sales revenue was the follows in the examined periods:

	2021 HUFm	2020 HUFm
Hungary	43,587	40,971
CIS (Commonwealth of Independent States)	108,817	110,590
Europe, other than Hungary*	133,236	118,231
USA	113,389	101,450
China	15,615	10,764
Latin America	9,543	5,381
Other countries	30,057	25,587
Total revenues	**454,244**	**412,974**

*As of 1 January 2021 the United Kingdom left the European Union. Consequently, Richter modified the name of the geographical regions used earlier in the breakdown of sales income. The new name of the former region 'European Union' became 'Europe' including, however, the same countries as before. Therefore, the following countries are included in 'Europe' region: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, the Netherlands, Croatia, Ireland, Poland, Latvia, Lithuania, Luxembourg, United Kingdom, Malta, Germany, Italy, Portugal, Romania, Spain, Sweden, Slovakia and Slovenia. The name and scope of countries of other geographical regions remained unchanged. Therefore, the comparative information has been restated.

A significant portion of the increasing turnover in the Europe region was driven by the expansion of the Spanish market, shaped mainly by higher sales of Bemfola®, Evra® (royalty and direct sales), as well as rising Oral contraceptive and Cyclogest sales. In Italy, the rise in Evra® (royalty and direct sales), Esmya®, Bemfola® and Teriparatide was reduced by a decline in Oral contraceptive sales. The French market was shaped by the growth of Bemfola® and Dienogest, and the royalty of Evra®. In Austria, sales of Teriparatide, Esmya® and Evra® (royalty and direct sales) increased. The growth in sales in the US region was driven by the Vraylar® royalty. Sales growth in the China region is mainly due to the impact of the Cavinton credit note, which was recognised in the reference year accounts. The growth in the Latin America and Other countries regions is mainly linked to the Evra® royalty. In the CIS region, the decline in sales of Mydeton, Oral contraceptives and Groprinosin should be highlighted.

Top 10 countries

	2021 HUFm	2020 HUFm
USA	113,389	101,450
Russia	68,880	70,731
Hungary	43,587	40,971
Germany	21,294	20,866
Poland	18,596	18,115
Spain	15,707	11,114
China	15,615	10,764
Ukraine	14,447	13,097
Italy	9,803	7,685
Romania	9,624	9,684
Total top 10 countries	**330,942**	**304,477**

Top 10 products

	2021 HUFm	2020 HUFm
Cariprazine	106,468	90,772
Hormonal contraceptives	96,864	104,550
Bemfola	19,597	15,300
Cavinton	15,698	12,519
Evra	14,529	-
Mydeton	13,846	17,548
Teriparatide	12,650	9,499
Panangin	12,266	13,982
Aflamin	11,055	8,470
Quamatel	10,150	9,049
Total Top 10 products	**313,123**	**281,689**

5. Profit from operations – expenses by nature

	2021 HUFm	2020 HUFm
Revenues	454,244	412,974
from this: royalty and other similar income	*118,335*	*89,578*
Changes in inventories of finished goods and work in progress	10,887	7,804
Cost of goods sold	(24,961)	(21,434)
Material type expenses	(206,529)	(184,564)
Personnel expenses	(73,405)	(71,518)
Depreciation and amortisation	(32,978)	(27,800)
from this: IFRS16 related (Note 13.1.2)	*(536)*	*(833)*
Sharing of expenses	1,978	702
Net impairment losses on financial and contract assets	537	(1,774)
Other income and other expenses (net)	(8,301)	(14,183)
from this: IFRS16 related (Note 13.1.2)	*(1)*	*91*
Profit from operations	**121,472**	**100,207**

The fee for the statutory audit amounted to HUF 28 million in 2021.

Net impairment losses on financial and contract assets

The net impairment gains/losses on financial and contract assets amounted to HUF 537 million gains in 2021 and HUF 1,774 million losses in 2020. The net impairment gains in 2021 comprised of the reversal of impairment recognised on trade receivables and the impairment recognised on loans and capital contributions.

Other income and other expenses (net)

The balance of Other incomes and other expenses decreased from HUF 14,183 million expenses in the previous year to HUF 8,301 million expenses in 2021.

In the reported year the Company received HUF 3,072 million in one-off payments related to denosumab, tocilizumab and cariprazine compared to the one-off payments realised from cariprazine and tocilizumab in the reference period and amounting to a total of HUF 900 million.

Impairment reported on Intangibles in 2021 amounted to HUF 2,591 million including HUF 1,731 million reported on Priya. In 2020 the balance of Other income and expenses was negatively affected by the impairment reported on Intangibles (HUF 4,477 million) including HUF 1,561 million related to Evestra developments, HUF 1,339 million to Bemfola's American license, HUF 685 million to the Canadian license rights of Esmya, and HUF 812 million to the product Balanca® related to Germany.

In 2021, HUF 2,291 million was reported in impairment and scrapping of inventories, HUF 375 million less than in the reference year.

Claw-back in 2021 comprised payments related to the Hungarian, Romanian, German, French, Spanish, Portuguese, Belgian, Italian, Bulgarian, Austrian, Polish, Latvian, Lithuanian, Croatian, Slovenian, Greek, Irish, British and Swiss markets totalling HUF 5,256 million (compared to HUF 5,357 million in 2020).

The provisions earmarked and released for retirement and service years-related bonus payments were up from HUF 457 million expenses in the reference year to HUF 47 million incomes in 2021.

In 2021, HUF 788 million expenses was reported in the balance of revenue and usage of CO2 quota, HUF 632 million more than in the reference year.

In 2021, the Company presented other non-income taxes of HUF 1,031 million in Other income and other expenses (net) (HUF 983 million in 2020).

Depreciation charge of right-of-use assets:

	2021 HUFm	**2020** HUFm
Buildings	(421)	(679)
Machinery	(3)	(63)
Vehicles	(112)	(91)
Total	**(536)**	**(833)**

The separate income statement includes HUF 79 million expenses from short-term, low-value and variable lease payments.

6. Net financial result

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

	2021 HUFm	2020 HUFm
Unrealised financial items	**5,280**	**(11,901)**
Exchange gain/(loss) on foreign currency on trade receivables and trade payables	3,660	(400)
Loss/(gain) on foreign currency loans receivable	2,829	(1,540)
Loss/(gain) on foreign currency securities	2,374	339
Exchange loss/(gain) on other currency related items	1	704
Result of unrealised forward exchange contracts	195	-
Impairment loss on investments (Note 15, 16)	(717)	(10,553)
Impairment loss on securities	(1,664)	-
Unwinding of interest on interest-free loans	293	(984)
Interest expenses related to IFRS 16 standard	(89)	(189)
Exchange difference related to IFRS 16 standard	(62)	27
Unrealised fair value difference on financial instruments	(1,540)	695
Realised financial items	**14,449**	**10,417**
Exchange gain/(loss) realised on trade receivables and trade payables	2,695	(55)
Foreign exchange difference on conversion of cash	(1,729)	1,294
Dividend income	6,886	6,566
Interest income	4,939	2,589
Interest expense	(572)	(30)
Realised gain/(loss) of derecognition of investment	2,050	72
Other financial items	180	(19)
Total	**19,729**	**(1,484)**

The net finance gain/loss was HUF 19,729 million and HUF 1,484 million in 2021 and 2020, respectively.

In 2021, Richter reported impairment of additional HUF 528 million in respect of GR Columbia S.A.S. after recording HUF 906 million in the reference year. In 2020, an impairment of HUF 4,800 million was recognised on the investment in GR Mexico SAPI, from which HUF 1,206 million was reversed in 2021. In 2021 an impairment of HUF 1,376 million was recognised on the investment in Prima-Temp, Inc. In 2020 impairment regarding Evestra Inc amounted to HUF 4,836 million. For more information see Note 15 and 16.

The 2021 unrealized financial items were largely affected by the 4.35 RUB/HUF exchange rate and 369 EUR/HUF related translation on 31 December 2021 (31 December 2020 RUB/HUF 3.96 and EUR/HUF 365.13). The cumulative effect of translation was a HUF 9,761 million increase in 2021 from one year to the next. See the results of the foreign sensitivity tests in Note 9.

The unrealised fair value difference on financial instruments was HUF 1,540 million loss in 2021, which consist of HUF 7,931 million gain for debt on issue of bond, HUF 672 million gain for derivatives and HUF 10,143 million loss for government securities and corporate bonds. In 2020 this fair value difference was HUF 695 million gain.

Realized foreign exchange gain from trade receivables, payables and other items were HUF 2,695 million as opposed to HUF 55 million loss in the preceding year. The aggregate gain contributed HUF 2,750 million to a year-on-year increase in earnings.

Dividend income contributed HUF 6,886 million to the 2021 financial income, HUF 320 million higher than HUF 6,566 million realized in 2020.

7. Income tax expense

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

The Company 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.

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. 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.

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

The Company discloses also 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.

Income tac expense:	**2021** HUFm	**2020** HUFm
Corporate income tax	(1,096)	(974)
Local business tax	(3,869)	(3,938)
Innovation contribution	(586)	(594)
Current tax	**(5,551)**	**(5,506)**
Deferred tax (Note 20)	5,513	-
Income tax*	**(38)**	**(5,506)**

*The tax rate reconciliation includes the effect of both self-revision and tax paid abroad.

In 2021, the average effective tax rate calculated on the basis of the current tax is 3.9 % and 0 % taking into account the effect of deferred tax as well (In 2020: both 5.6 %). The corporate income tax rate effective in 2021 and in 2020 is 9%.

Amount of tax losses by maturity:

Year of arising	Year of expiry	HUFm
2017	2022	28,899
2018	2023	15,669
2019	2024	9,474
Total		**54,042**
Utilization		HUFm
2020		8,721
2021		14,315
Total		**23,036**

According to Hungarian tax legislation, accrued losses can be claimed for up to 50% of the tax base for 5 years. The Company expects these to be used in tax returns in the next years.

Tax rate reconciliation

	2021 HUFm	2020 HUFm
Profit before income tax	**141,201**	**98,723**
Tax calculated based on statutory corporate income tax rate*	12,708	8,885
Tax effects of:		
In previous years unused, in current year used tax loss	*(1,288)*	*(441)*
Dividend income not subject to taxation	(620)	(591)
Royalty tax incentive	(4,754)	(3,986)
R&D tax incentives**	(3,952)	(3,233)
Expense not deductible for tax purposes	146	160
Local business tax and innovation contribution	4,054	4,124
Other income taxes	908	899
Deferred tax asset that is not expected to be realised	-	76
Reversal of temporary differences that are subject to exception from deferred tax	-	2
Effect of previously unrecognised deductible temporary differences	(5,995)	-
Other, individually insignificant items	(69)	(23)
Investment tax credit	(1,100)	(366)
Tax charge	**38**	**5,506**

* In 2021 and 2020 the tax rate applied is 9%.
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).

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 2021 is HUF 990 million.

Richter is able to take advantage of the tax relief up to 2021, at the latest. Therefore, there is not remaining tax relief in connection with the Debrecen project.

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.

Tax authority audits

The Municipality of Budapest as tax authority performed local business tax audit in 2020 covering the financial periods of 2015-2016. The conclusion was received on 29 January 2021, which did not contain any findings.

The tax authorities may at any time inspect the books and records within 6 years 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.

8. Consolidated earnings per share

Accounting policy
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.

As of 31 December 2021 and 31 December 2020 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)	**2021**	**2020**
Net consolidated profit attributable to owners of the parent (HUFm)	139,626	104,683
Weighted average number of ordinary shares outstanding (thousands)	186,008	185,971
Earnings per share (HUF)	**751**	**563**

9. Financial instruments

This note provides information about the Company's financial instruments, including the followings:
- Relevant Accounting policies
- An overview of all the financial assets and financial liabilities held by the Company
- Information about the Company's financial risk and capital management.

Accounting policy
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
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 investment or a debt instrument,
- if the financial asset is a debt instrument considerations are required 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
Under the new model, 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 Company 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 Company 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 Company at initial recognition. The Company 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 typically measured at fair value. Equity instruments that are held for trading are classified at FVTPL. For all other equity instrument, the Company 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 Company 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.

Derecognition of financial assets

The Company shall derecognise a financial asset only if the contractual rights to cash-flows from the asset become forfeited, the rights expire, or the Company surrenders essentially all gains and risks to another enterprise. If the Company does not transfer essentially all gains and risks arising from ownership of the financial asset to others, but does not keep them either, and continues to handle the asset, the Company shall recognise the kept share and, on the other hand, recognise the related liability for the amounts incidentally payable. During in current year there was no modification of financial assets.

Impairment of financial assets

Credit loss allowance for ECL: The Company 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 Company 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 separate statement of financial position net of the allowance for ECL. For debt instruments at FVOCI the asset is treated as an AC asset during the year, and when the subsequent measurement is performed the fair value difference is placed in OCI.

The Company 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 Company 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 Company based on the payment experience of the previous 3 years. Defining forward-looking information, the Company 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 Company 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 Company 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 Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and itsECL 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.

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

Financial liabilities are classified at FVTPL where the financial liability is either held for trading or it is designated at FVTPL or derivatives (except for 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.

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss.

This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The transactions of issue of the bond and fixed interest rate swaps were concluded in the same time.

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

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.
Financial liabilities constituting trade payables are described separately in Note 37. Trade payables.

The Company holds the following financial assets and liabilities. It does not include fair value information for financial assets and liabilities measured amortised cost if the carrying amount is a reasonable approximation of fair value.

	Notes	Carrying value		Fair value	
		31 December 2021 HUFm	31 December 2020 HUFm	31 December 2021 HUFm	31 December 2020 HUFm
Financial assets[1]					
Financial assets measured at fair value					
Financial assets measured at fair value through OCI					
Government securities, corporate bonds (debt)[3]	19, 27	38,318	42,090	38,318	42,090
Equity instruments	19	31,265	-	31,265	-
Investments	19	3,732	1,365	3,732	1,365
		73,315	**43,455**	**73,315**	**43,455**
Financial assets measured at fair value through profit or loss					
Government securities, corporate bonds[3] - designated as at FVTPL at initial recognition	18	76,778	4,479	76,778	4,479
Other securities - convertible promissory note – mandatorily measured at FVTPL[2]	27	-	1,664	-	1,664
Other financial asset (Mycovia)	18	7,873	6,318	7,873	6,318
Derivative financial instruments	11	9,378	-	9,378	-
Foreign currency forwards – cash-flow hedges	11	25	-	25	-
		94,054	**12,461**	**94,054**	**12,461**

Financial assets measured at amortised cost					
Government securities, corporate bonds (debt)	17	1,441	-	1,402	-
Loans receivable	17, 26	45,465	40,430	38,067	34,344
Trade receivables	24	161,965	138,961	161,965	138,961
Cash and cash equivalents	29	33,850	116,393	33,850	116,393
		242,721	**295,784**	**235,284**	**289,698**
Financial liabilities					
Financial liabilities measured at fair value					
Financial liabilities measured at FVTPL					
Debt on the issue of bonds	32, 39	(55,693)	-	(55,693)	-
Derivative financial instruments	11	(8,555)	(43)	(8,555)	(43)
Foreign currency forwards – cash-flow hedges	11	(48)	-	(48)	-
Other financial liabilities	32, 39	(4,626)	(6,007)	(4,626)	(6,007)
		(68,922)	(6,050)	(68,922)	(6,050)
Financial liabilities measured at amortised cost					
Borrowings	36	(1,105)	(4,961)	(1,105)	(4,961)
Trade payables	37	(46,497)	(36,717)	(46,497)	(36,717)
Lease liabilities	33	(2,068)	(1,498)	(2,068)	(1,498)
		(49,670)	(43,176)	(49,670)	(43,176)

[1] All financial assets are free from liens and charges.
[2] Convertible promissory note to associates is presented as Other securities in 2020
[3] The fair value of interest swap rates was discounted to present value by the Company 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).

9.1. Financial risk management

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

9.1.1. Market risk

Interest rate risk
As stated in Note 36, the amount of total borrowings of the Company is not significant, therefore the interest rate risk is negligible.

Security price risk
The Company holds various securities including fixed and floating rate EUR and HUF denominated government and corporate bonds and EUR denominated ETFs (Exchange-Traded Fund) of corporate bonds. Most of these securities are booked at fair value therefore price fluctuation creates security price risks. In order to reduce price fluctuation risks, approximately half of fixed rate EUR bonds are hedged through interest rate swaps.

Foreign currency risk
Significant part of the Company's revenues are denominated in currencies other than the functional and the presentation currency, therefore it faces the risk of currency rate fluctuation. In order to decrease this risk the company hedged its exposure through USD and RUB FX forward deals. There is no formal threshold stated in the policies of the Company on the exposure level that would automatically require conclusion of derivative instruments to mitigate the foreign currency risk.

In the fourth quarter of 2021, the management reviewed its financial risk management strategy in relation to its exposure to currency risk. In December 2021, the management decided to change its risk management policy and started to apply hedge accounting prospectively to mitigate the Company's exposure arising from currency risk related to highly probable forecasted sales transactions. The Company did not apply hedge accounting previously, but IFRS 9 for the current year and afterwards.
The purpose of hedge accounting is to mitigate the impact of potential volatility in the income statement of the company due to the currency risk of highly probable future foreign currency cash flows by matching the impact of the hedged item and the hedging instrument in the income statement.

Foreign exchange sensitivity of profit
The Company does business in a number of regions and countries with different currencies. The most typical foreign currencies are EUR, USD, from 2011 PLN, RON, RUB, CHF, from 2015 KZT, from 2017 the CNY, from 2021 the CZK. The calculation of exposure to foreign currencies is based on these nine currencies.

The foreign currency risk management calculation is based on those balances which are exposed to exchanges of foreign currencies. Management assumes changes in exchange rates and analysis the risk of these changes on the profit.

Recently, Management has experienced higher sensitivity in case of certain currencies (rubels), therefore these currencies have been diverted more when determining the exchange rate combinations.

The table below presents the effect of the change in the average foreign currency rate on the profit from operation and on the profit for the year:

2021		Exchange rates									Effecting from profit from opera-tion	Effect on profit before income tax for the year	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CZK/HUF	CNY/HUF	HUFm	HUFm	
105%	**376.52**												
		318.95	**1.18**	**82.39**	**76.45**	**4.51**	**370.38**	**0.75**	**14.67**	**49.54**	**13,827**	**14,920**	**largest growth**
		303.76	1.24	78.47	72.81	4.10	352.74	0.71	13.97	47.18	1,528	1,853	
		288.57	1.30	74.55	69.17	3.69	335.10	0.67	13.27	44.82	(10,770)	(11,214)	
100%	358.59												
		318.95	1.18	82.39	76.45	4.51	370.38	0.75	14.67	49.54	12,298	13,067	
		303.76	1.24	78.47	72.81	4.10	352.74	0.71	13.97	47.18	-	-	
		288.57	1.30	74.55	69.17	3.69	335.10	0.67	13.27	44.82	(12,298)	(13,067)	
95%	**340.66**												
		318.95	1.18	82.39	76.45	4.51	370.38	0.75	14.67	49.54	10,770	11,214	
		303.76	1.24	78.47	72.81	4.10	352.74	0.71	13.97	47.18	(1,528)	(1,853)	
		288.57	**1.30**	**74.55**	**69.17**	**3.69**	**335.10**	**0.67**	**13.27**	**44.82**	**(13,827)**	**(14,920)**	**greatest decrease**

* Change of EUR/HUF average exchange rates (%).

2020		Exchange rates								Effecting from profit from operation	Effect on profit before income tax for the year	
*	EUR/HUF	USD/HUF	EUR/USD	PLN/HUF	RON/HUF	RUB/HUF	CHF/HUF	KZT/HUF	CNY/HUF	HUFm	HUFm	
105%	**368.53**											
		322.62	**1.14**	**83.12**	**76.23**	**4.68**	**344.56**	**0.83**	**47.03**	**13,168**	**12,598**	**largest growth**
		307.26	1.20	79.16	72.60	4.25	328.15	0.75	44.79	813	1,383	
		291.90	1.26	75.20	68.97	3.83	311.74	0.68	42.55	(11,542)	(9,833)	
100%	350.98											
		322.62	1.09	83.12	76.23	4.68	344.56	0.83	47.03	12,355	11,215	
		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	(12,355)	(11,215)	
95%	**333.43**											
		322.62	1.03	83.12	76.23	4.68	344.56	0.83	47.03	11,542	9,833	
		307.26	1.09	79.16	72.60	4.25	328.15	0.75	44.79	(813)	(1,383)	
		291.90	**1.14**	**75.20**	68.97	3.83	311.74	0.68	42.55	**(13,168)**	**(12,598)**	**greatest decrease**

* Change of EUR/HUF average exchange rates (%).

Based on the annual average currency rate sensitivity analysis of 2021, the combination of weak Hungarian Forint – (376.5 EUR/HUF, 318.9 USD/HUF, 82.4 PLN/HUF, 76.5 RON/HUF, 4.5 RUB/HUF, 370.4 CHF/HUF, 0.8 KZT/HUF, 14.7 CZK/HUF and 49.5 CNY/HUF) against other currencies - would have caused the largest growth in the amount of HUF 13,827 million on the Company's operating profit and HUF 14,920 million on the Company's profit before income tax for the year.
The greatest decrease of HUF 13,827 million on operating and HUF 14,920 million on profit before income tax for the year was caused by the combination of exchange rates of 340.7 EUR/HUF, 288.6 USD/HUF, 74.6 PLN/HUF, 69.2 RON/HUF, 3.7 RUB/HUF, 335.1 CHF/HUF, 0.7 KZT/HUF, 13.3 CZK/HUF and 44.8 CNY/HUF against other currencies.

Currency sensitivity of balance sheet items

Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts in foreign currency, loans receivable, borrowings, lease liabilities, financial assets and financial liabilities. The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates similarly to the currency sensitivity of actual cost. 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 +/- 10%)

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

2021		**Exchange rates**									**Effect on net financial position**	
*	EUR/HUF	USD/HUF	EUR/USD	CHF/HUF	RUB/HUF	RON/HUF	PLN/HUF	KZT/HUF	CZK/HUF	CNY/HUF	HUFm	
105%	**387.45**											
		342.00	**1.13**	**374.75**	**4.79**	**78.29**	**84.32**	**0.79**	**15.58**	**53.82**	**15,156**	**best case scenario**
		325.71	1.19	356.90	4.35	74.56	80.30	0.75	14.84	51.26	5,473	
		309.42	1.25	339.06	3.92	70.83	76.29	0.72	14.10	48.70	(4,209)	
100%	369.00											
		342.00	1.08	374.75	4.79	78.29	84.32	0.79	15.58	53.82	9,683	
		325.71	1.13	356.90	4.35	74.56	80.30	0.75	14.84	51.26	0	
		309.42	1.19	339.06	3.92	70.83	76.29	0.72	14.10	48.70	(9,683)	
95%	**350.55**											
		342.00	1.03	374.75	4.79	78.29	84.32	0.79	15.58	53.82	4,209	
		325.71	1.08	356.90	4.35	74.56	80.30	0.75	14.84	51.26	(5,473)	
		309.42	**1.13**	**339.06**	**3.92**	**70.83**	**76.29**	**0.72**	**14.10**	**48.70**	**(15,156)**	**worst case scenario**

* Change of EUR/HUF average exchange rates (%).

2020		**Exchange rates**								**Effect on net financial position**	
*	EUR/HUF	USD/HUF	EUR/USD	CHF/HUF	RUB/HUF	RON/HUF	PLN/HUF	KZT/HUF	CNY/HUF	HUFm	
105%	**383.39**										
		312.23	**1.23**	**354.28**	**4.36**	**78.74**	**83.25**	**0.78**	**47.72**	**14,718**	**best case scenario**
		297.36	1.29	337.41	3.96	74.99	79.29	0.71	45.45	3,240	
		282.49	1.36	320.54	3.56	71.24	75.33	0.64	43.18	(8,200)	
100%	365.13										
		312.23	1.17	354.28	4.36	78.74	83.25	0.78	47.42	11,479	
		297.36	1.23	337.41	3.96	74.99	79.29	0.71	45.45	0	
		282.49	1.29	320.54	3.56	71.24	75.33	0.64	43.18	(11,440)	
95%	**346.87**										
		312.23	1.11	354.28	4.36	78.74	83.25	0.78	47.42	8,239	
		297.36	1.17	337.41	3.96	74.99	79.29	0.71	45.45	(3,240)	
		282.49	**1.23**	**320.54**	**3.56**	**71.24**	**75.33**	**0.64**	**43.18**	**(14,679)**	**worst case scenario**

* Change of EUR/HUF average exchange rates (%).

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CZK and CNY weaken against HUF. In this case the financial result would decrease by HUF 15,156 million.

The best case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CZK and CNY would strengthen against HUF. In this case the financial result would increase by HUF 15,156 million.

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in million foreign currency units, were as follows:

2021	Currencies								
									(all amounts in HUFm)
	EUR	USD	CHF	RUB	RON	PLN	KZT	CZK	CNY
Loans receivable	10,765	7,130	3,170	17,191	-	1,766	-	-	-
Trade receivables	47,361	45,833	292	36,137	3,673	3,853	4,438	1,862	5,656
Financial assets	61,432	7,873	-	-	-	-	-	-	-
Other receivables	484	-	-	-	-	-	-	-	-
Bank deposits	13,750	2,139	54	5,477	-	1,265	494	133	850
Trade payables	(20,714)	(2,950)	(1,114)	(1,914)	(243)	(1,724)	(174)	(372)	(1,822)
Financial liabilities	(2)	-	-	-	-	-	-	-	-
Lease liabilities	(511)	(202)	-	(196)	-	-	(11)	-	-
Other liabilities	(3,096)	(386)	(8)	(21)	(664)	(450)	-	(6)	(43)
Total	**109,469**	**59,437**	**2,394**	**56,674**	**2,766**	**4,710**	**4,747**	**1,617**	**4,641**

2020	Currencies							
								(all amounts in HUFm)
	EUR	USD	CHF	RUB	RON	PLN	KZT	CNY
Trade receivables	35,687	40,226	271	35,219	3,132	4,350	4,273	4,679
Trade payables	(14,978)	(1,687)	(560)	(1,596)	(229)	(2,229)	(163)	(1,624)
Loans receivable	10,246	5,771	3,553	16,037	-	395	-	-
Investments in securities	11,368	8,980	-	-	-	-	-	-
Bank deposits	25,096	55,810	113	1	9	1,090	217	1,169
Other liabilities	(2,641)	(1,427)	(1)	(425)	(595)	(17)	(18)	-
Total	**24,778**	**107,673**	**3,376**	**49,236**	**2,317**	**3,589**	**4,309**	**4,224**

9.1.2. 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 Company 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.
Richter 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 Company.
The Company does business with key customers in many countries. These customers are major import distributors in their countries and management of the Company maintains close contact with them on an ongoing basis. In 2021 there is only one customer (AbbVie) where the turnover exceeds 10% of total revenues. The revenue is royalty and milestone payments, related to Vraylar®.

The following securities are applied to minimize the credit risk.

Regions	Trade receivables secured as at	Type of security		
	31 December 2021 HUFm	Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	17,695	17,528	167	-
Europe	466	-	466	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	2,446	2,262	184	-
Total	**20,607**	**19,790**	**817**	**-**

Regions	Trade receivables secured as at 31 December 2020 HUFm	Type of security: Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	18,396	18,396	-	-
Europe	463	-	463	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	1,635	1,497	-	138
Total	**20,494**	**19,893**	**463**	**138**

*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. The credit rating of the most significant banks based on Moody's, Standard and Poor's and FitchRatings international credit rating institutes are the followings:

	31 December 2021	31 December 2020
Banca Commerciala Romana SA	Moody's: Baa1 FitchRatings: BBB+	Moody's: Baa1 FitchRatings: BBB+
Bank of China Ltd. Hungarian Branch*	Moody's: A1 S&P: A FitchRatings: A	Moody's: A1 S&P: A FitchRatings: A
BNP Paribas Hungarian Branch*	Moody's: Aa3 S&P: A+ FitchRatings: A+	Moody's: Aa3 S&P: A+ FitchRatings: A+
CIB Bank Zrt.	FitchRatings: BBB	FitchRatings: BB+
Citibank N.A.	Moody's: Aa3 S&P: A+ FitchRatings: A+	Moody's: Aa3 S&P: A+ FitchRatings: A+
Commerzbank AG Frankfurt	Moody's: A1 S&P: BBB+	Moody's: A1 S&P: BBB+
Erste Bank Hungary Zrt.	Moody's: Baa1 FitchRatings: BBB+	Moody's: Baa1 FitchRatings: BBB+
ING Bank N.V. Hungaria Branch*	Moody's: Aa3 S&P: A+ FitchRatings: AA-	Moody's: Aa3 S&P: A+ FitchRatings: AA-
J.P. Morgan AG	Moody's: Aa1 S&P: A+ FitchRatings: AA	Moody's: Aa1 S&P: A+ FitchRatings: AA
K&H Bank Zrt.	Moody's: Baa1 FitchRatings: BBB+	Moody's: Baa1 FitchRatings: BBB+
KDB Bank Európa Zrt. (ultimate parent - Korea Development Bank)*	Moody's: Aa2 S&P: AA FitchRatings: AA-	Moody's: Aa2 S&P: AA FitchRatings: AA-
OTP Bank Nyrt.	Moody's: Baa1 S&P: BBB	Moody's: Baa1 S&P: BBB
OJSC OTP Bank Russia	FitchRatings: BB+	FitchRatings: BB+
Raiffeisen Bank Zrt.*	Moody's: A2	Moody's: A3

* The bank's credit rating is not available, we present the rating of its "ultimate parent"

The Company holds more than 97% of its cash and cash equivalents between 1 January 2020 and 31 December 2021 in the financial institutions presented above. In 2021 the Company invested into government and corporate bonds in the amount of HUF 160 billion that is presented as non-current assets in the Balance Sheet. These financial assets are hold at above listed high quality financial institutions. The other bank relations of the Company are widely dispersed, therefore the credit exposure with one financial institution is limited.

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

As part of the bond issuance the Richter was received a BBB+ rating from Scope ratings GmbH. The received rating reflects the Company's excellent financial risk profile with a net cash position and solid competitive position in speciality innovative and generic pharmaceuticals, and also the conservative financial policy.

9.1.3. Liquidity risk

Cash flow forecasting is performed and updated on a monthly basis based on actual data. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing plans and covenant compliance. Company treasury invests surplus cash in interest bearing current accounts, time deposits, investment funds and marketable securities.

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 m from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The liquidity risk of the Company was limited in 2020, since the Cash and cash equivalents exceeded the Current liabilities and the Current asset were higher than the total liabilities. During 2021 Richter held a successful auction for qualified investors and received funding from the issued bonds. Beside this, the Company uses only plain vanilla derivative instruments (e.g. forward contracts) for hedging purposes (see Note 11). These transactions resulted in a significant growth of financial liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Richter can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Contractual maturities of financial liabilities at 31 December 2021	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-derivatives								
Trade payables	37	46,113	192	93	99	-	**46,497**	46,497
Lease liabilities	33	133	385	763	226	122	**1,629**	1,349
Debt on the issue of bonds	32, 39	-	1,225	2,450	2,450	75,390	**81,515**	55,693
Total non-derivatives		**46,246**	**1,802**	**3,306**	**2,775**	**75,512**	**129,641**	**103,539**
Derivatives								
Interest rate swap	11	(5)	(517)	(13)	70	1,162	**697**	628
Gross settled (foreign currency forwards – cash flow hedges) – gross outflows	11	-	44,622	20,520	-	-	**65,142**	(23)
Trading derivatives (foreign currency forwards) – gross outflows	11	22,296	18,705	-	-	-	**41,001**	195
Total derivatives		**22,291**	**62,810**	**20,507**	**70**	**1,162**	**106,840**	**800**

Contractual maturities of financial liabilities at 31 December 2020	Notes	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Non-derivatives								
Trade payables	37	36,300	323	42	52		**36,717**	36,717
Lease liabilities	33	154	443	798	217	80	**1,692**	1,498
Debt on the issue of bonds	32, 39	-	-	-	-	-	**-**	-
Total non-derivatives		**36,454**	**766**	**840**	**269**	**80**	**38,409**	**38,215**
Derivatives								
Interest rate swap	11	11	(38)	(46)	(17)	47	**(43)**	(43)
Gross settled (foreign currency forwards – cash flow hedges) – gross outflows	11	-	-	-	-	-	**-**	-
Trading derivatives (foreign currency forwards) – gross outflows	11	-	-	-	-	-	**-**	-
Total derivatives		**11**	**(38)**	**(46)**	**(17)**	**47**	**(43)**	**(43)**

Net debt and EBITDA are presented and detailed in Note 9 and Note 41, for details please see these notes.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	194	194
Other, individually not significant bank guarantees	54	76

9.2. Capital management

The capital structure of the Company consists of net debt (borrowings as detailed in Notes 36, and debt on issue of bond detailed in Note 32 and 39, furthermore the related derivative financial instruments detailed in Note 11 offset by cash and bank balances in Note 29, and the government securities and corporate bonds invested from the received amount of issue of bond detailed in Note 18, and related derivative financial instruments detailed in Note 11) and equity of the Company (comprising share capital, retained earnings, and other reserves). The net debt structure presents the main changes in financial liabilities and related financial assets.

The Company's objectives when managing capital are to safeguard the Company'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 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 2021 dividend per ordinary share is HUF 225 as proposed by the Board of Directors.

The capital risk of the Company was still limited in both 2021 and 2020, 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 2021 HUFm	31 December 2020 HUFm
Borrowings (Note 35) *	1,105	4,961
Debt on the issue of bonds (Note 32 and 39)	55,693	-
Derivative financial liabilities (interest rate swap) (Note 11)	8,476	-
Less: cash and cash equivalents (Note 28)	(33,850)	(116,393)
Less: non-current financial assets carried at fair value through profit or loss (Note 18)	(61,887)	(2,596)
Less: Derivative financial assets (interest rate swap) (Note 11)	(9,012)	-
Net cash	**(39,475)**	**(114,028)**
Total equity	894,368	793,390
Total capital	**854,893**	**679,362**
EBITDA	160,800	133,740
Net cash to EBITDA ratio	**(0.25)**	**(0.85)**
Net cash to equity ratio	**(0.04)**	**(0.14)**

* Without leases

The Company defines EBITDA as operating profit increased by depreciation and amortization expense. From 1 January 2019 the Company 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.

	2021 HUFm	2020 HUFm
Profit from operations	121,472	100,207
Depreciation (except for right-of-use asset)	32,442	26,967
Dividend income	6,886	6,566
EBITDA	**160,800**	**133,740**

9.3. Equity correlation table

According to Note 114/B of Act C of 2000 on Accounting, the annual financial reporting entity according to IFRS compiles an equity correlation table for the reporting date, which is presented as part of the notes.

Our Company fulfils this obligation of presentation below:

	31 December 2021 HUFm	31 December 2020 HUFm
Equity under IFRS	894,368	793,390
Supplementary payment	-	(377)
Adjusted equity	**894,368**	**793,013**
Subscribed capital	18,638	18,638
Capital reserve	18,177	17,738
Revaluation reserve	954	665
Retained earnings	715,436	662,755
Statutory reserve	-	-
Post-tax profit or loss	141,163	93,217
Total equity	**894,368**	**793,013**
Thereof:		
Registered capital	**18,638**	**18,638**
retained earnings reserve available for dividend payment per local regulation	**856,599**	**755,972**

10. 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 the fair value hierarchy to categorize financial instruments. If a fair value measurement uses unobservable inputs that require significant judgement, than 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 Balance Sheet at the end of each reporting period.
The levels in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

HUFm	Notes	31 December 2021				31 December 2020			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Non-current financial assets at fair value through profit or loss	11, 18	77,527	8,358	7,873	**93,758**	-	4,479	6,318	**10,797**
Non-current financial assets at fair value through other comprehensive income	19	73,315	-	-	**73,315**	37,977	-	-	**37,977**
Current financial assets at fair value	11, 27	271	-	-	**271**	-	5,478	1,664	**7,142**
Hedging derivatives - foreign currency forwards	11	25	-	-	**25**	-	-	-	**-**
Total assets recurring fair value measurements		**151,138**	**8,358**	**7,873**	**167,369**	**37,977**	**9,957**	**7,982**	**55,916**
Financial liabilities									
Non-current financial liabilities at fair value	11, 32	8,479	54,468	**-**	**62,947**	-	-	-	**-**
Current financial liabilities at fair value	11, 39	76	1,225	**-**	**1,301**	-	-	-	**-**
Hedging derivatives - foreign currency forwards	11	48	-	**-**	**48**	-	-	-	**-**
Total liabilities recurring fair value measurements		**8,603**	**55,693**	**-**	**64,296**	**-**	**-**	**-**	**-**

The Company recognizes corporate bonds and a portion of government securities 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 Company had not selected the fair value option. The Company has derivative financial instruments on balance sheet date, which can be found in Note 11.

The Company has debt instruments managed under a different business model as a non-current financial assets at fair value through other comprehensive income, based on that the business model 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.
The Company recognised equity instruments as financial assets at fair value through other comprehensive income in current year, and applies the fair value option for these instruments.

Current financial assets at fair value category included a debt instrument, which maturity was within a year in 2020, and it was derecognised in 2021.

In 2020 there was no financial liabilities measured at fair value, however in 2021 the Company held a successful auction for qualified investors and received funding from the issued bonds. The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The issue of bond at fixed interest rate and the deal of interest rate swaps took place in the same time. For detailed information please see Note 32.
There were no changes in the valuation method neither for Level 1, Level 2 nor for Level 3 recurring fair value measurements during the year ended 31 December 2021 and 2020.

The valuation technique, inputs used in the fair value measurement for the most significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2021 and 2020:

	Fair value at 31 Dec. 2021 HUFm	**Valuation technique**	**Unobservable inputs**	**Range of inputs (weighted average)**		**Sensitivity of fair value measurement**
Assets at fair value						
Other financial asset Mycovia	7,873	Discounted cash flows (DCF)	• Estimated future profit			The lower estimated future profits, the lower the fair value.
			• Foreign currency rate	325.71	HUF/USD	The higher the FX rate the higher the fair value
			• Discount rate	8.45	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**7,873**					

	Fair value at 31 Dec. 2020 HUFm	Valuation technique	Unobservable inputs	Range of inputs (weighted average)		Sensitivity of fair value measurement
Assets at fair value						
Convertible bond option 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 asset Mycovia	6,318	Discounted cash flows (DCF)	• Estimated future profit			The lower estimated future profits, the lower 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**					

The above table shows the sensitivity analysis of the inputs used to determine the fair value of financial assets and liabilities. By changing one or more unobservable inputs, we analyse at the direction and degree of change in the fair value. In doing so, we judge the significance of the result for the year and the total value of assets and liabilities, or of the items that change the comprehensive income for equity.

(b) Non-recurring fair value measurements

The Company 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 Company'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 9. The fair value of the financial assets and liabilities carried at amortized cost does not significantly differ from its carrying amount, because in this type of transactions the Company does not apply any incremental costs, either based on fixed rates or has short-term nature.

11. Derivative financial instruments

Accounting policy
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the end of each reporting period to their fair value. The resulting gain or loss is immediately recognized in the Income Statement. Derivative financial instruments are classified under "Non-current assets" 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 "Other current assets" and "Other payables and accruals".

Government bonds and corporate bonds purchased by the Company are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Company 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.

Assets

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	750
Interest rate swap (HUF)	10,000,000,000	2029	1,333
Interest rate swap (HUF)	3,500,000,000	2030	476
Interest rate swap (HUF)	49,000,000,000	2031	6,412
Interest rate swap (EUR)	10,000,000	2027	62
Interest rate swap (EUR)	12,240,000	2029	35
Interest rate swap (EUR)	10,000,000	2035	39
Total			**9,107**

Liabilities

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	(750)
Interest rate swap (HUF)	10,000,000,000	2029	(1,184)
Interest rate swap (HUF)	3,500,000,000	2030	(476)
Interest rate swap (HUF)	49,000,000,000	2031	(6,067)
Interest rate swap (EUR)	1,535,000	2029	(1)
Interest rate swap (EUR)	5,000,000	2035	(1)
Total			**(8,479)**

The Company's derivative instruments are interest rate swaps and foreign currency forwards. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The Company 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 Company had not selected the fair value option based on IFRS 9. The fair value option was selected at initial measurement and recognition.

The Company's accounting policydecision for its cash flow hedges is set out in note 50.

	31 December 2021 HUFm	31 December 2020 HUFm
Assets		
Long term financial derivative instruments		
Interest rate swaps	9,107	-
Short term financial derivative instruments		
Foreign currency forwards – trading derivatives	271	-
Foreign currency forwards – cash flow hedges	25	-
Total financial derivative assets	**9,403**	**0**
Liabilities		
Long term financial derivative instruments		
Interest rate swaps	(8,479)	-
Foreign currency forwards – cash flow hedges	(39)	-
Short term financial derivative instruments		
Interest rate swaps	-	(43)
Foreign currency forwards – trading derivatives	(76)	-
Foreign currency forwards – cash flow hedges	(9)	-
Total financial derivative liabilities	**(8,603)**	**(43)**

Amounts recognised in profit or loss

There were no reclassifications from the cash flow hedge reserve to profit or loss (Revenues) during the period in relation to the foreign currency forwards.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency royalty income, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency royalty income, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency. The Company hedges the currency risk exposure inherent in its foreign currency cash flows from forecasted royalty revenue. The Company's strategy is to hedge up to 50 % coverage on the royalty exposure. As all critical terms matched during the year, there is an economic relationship.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

Foreign currency forward

	31 December 2021	31 December 2020
Carrying amount of the hedging instrument – liabilities (HUFm)	(23)	-
Notional amount (USD)	200,000,000	-
Maturity date	2022/2023	-
Hedge ratio*	100%	-
Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm)	(23)	-
Weighted average forward rate for outstanding hedging instruments (including forward points)	336.18	-

*The foreign currency forward is denominated in the same currency as the highly probable royalty income, therefore the hedge ratio is 1:1.

12. Property, plant and equipment

Accounting policy

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 Company uses the following depreciation rates:

Name	Depreciation
Land	0%
Buildings	1-10%
Plant and equipment	
Plant and machinery	*5-20%*
Vehicles	*20%*
Office equipments	*8-33,33%*

The Company accounts full depreciation for the low value assets (having lower gross value than HUF 200,000) at recognition, so when the asset is available for use.

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. The depreciation is calculated on a daily basis and accounted for on a monthly basis. The accounting system is recording in parallel the accounting and tax deprecation.
Depreciation is 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 Income Statement or recognised as inventories in the 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 Company 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 capitalized.

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 as "Other income and other expenses (net)".

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 not material, because of the nature of the activity of the Company. 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.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amount of the tangible 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 Company 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)".

	31 December 2021 HUFm	31 December 2020 HUFm
Property, plant and equipment without right-of-use assets	204,849	195,050
Right-of-use assets	1,965	1,447
Total	**206,814**	**196,497**

12.1. 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 2019	**145,712**	**258,313**	**22,774**	**426,799**
Addition	9,092	19,414	(28,506)	**-**
Transfers and capital expenditure	-	-	32,893	**32,893**
Disposals and other movements	(644)	(4,453)	(203)	**(5,300)**
at 31 December 2020	**154,160**	**273,274**	**26,958**	**454,392**
Accumulated depreciation				
at 31 December 2019	**(45,987)**	**(199,330)**	**-**	**(245,317)**
Current year depreciation	(4,370)	(14,254)	-	**(18,624)**
Disposals and other movements	262	4,337	-	**4,599**
at 31 December 2020	**(50,095)**	**(209,247)**	**-**	**(259,342)**
Net book value				
at 31 December 2019	**99,725**	**58,983**	**22,774**	**181,482**
at 31 December 2020	**104,065**	**64,027**	**26,958**	**195,050**

	Land and buildings HUFm	Plant and equipment HUFm	Construction in progress HUFm	Total HUFm
Gross value				
at 31 December 2020	**154,160**	**273,274**	**26,958**	**454,392**
Addition	13,667	19,511	(33,178)	**-**
Transfers and capital expenditure	-	-	30,354	**30,354**
Disposals and other movements	(524)	(7,954)	(138)	**(8,616)**
at 31 December 2021	**167,303**	**284,831**	**23,996**	**476,130**
Accumulated depreciation				
at 31 December 2020	**(50,095)**	**(209,247)**	**-**	**(259,342)**
Current year depreciation	(4,641)	(14,458)	-	**(19,099)**
Disposals and other movement	32	7,128	-	**7,160**
at 31 December 2021	**(54,704)**	**(216,577)**	**-**	**(271,281)**
Net book value				
at 31 December 2020	**104,065**	**64,027**	**26,958**	**195,050**
at 31 December 2021	**112,599**	**68,254**	**23,996**	**204,849**

All items of Property, plant and equipment are free from liens and charges. The value of real estate does not include investment property.

12.2. Right-of-use assets

Accounting policy
The right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.
The Company 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. In an opposite case the Company shall recognise the depreciation of the right-of-use asset from the commencement date to the earlier of the following dates: the end of the useful life of the underlying asset and the end of the lease term.

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

	31 December 2021 HUFm	31 December 2020 HUFm
Building	979	1,297
Machinery	4	-
Vehicles	982	150
Total	**1,965**	**1,447**

The gross value of the right-of-use assets increased by HUF 836 million. The depreciation is HUF 536 million in the current year (HUF 832 million in 2020, see Note 5), but new transactions, revaluations and modifications and the retirements are increase the profit and loss by HUF 217 million. It generated increase of HUF 518 million in the carrying value of right-of-use assets in 2021.

13. Goodwill

The Company does not have any Goodwill balance.

14. Intangible assets

Accounting policy
An intangible asset is an identifiable non-monetary asset without physical substance. The Company presents among the intangible assets the rights, intellectual property and research and development assets. These are mainly purchased trademarks, licenses, patents and software, which can be recognized as intangibles 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 Company regularly enters into licensing agreements that requires the Company to pay certain license fees. A typical license agreement contains:
- Upfront payments;
- Regulatory milestones; and
- Sales based royalties.

The upfront payments generally meet the definition of an intangible acquired in a purchase transaction and meets the recognition criteria of IAS 38. All the milestone payments based on regulatory approval are recognised as part of the intangible asset when those payments become payable.

The sales based royalty payments made to the licensor based on the revenue of the Company are recognized as expense in the same period as the revenue for the sale of pharmaceutical product is recognized.

The intangible assets are amortized through the estimated useful life using straight-line amortization method generally applying a rate between 4-33%. The useful life cannot be longer than the contractual period to which it relates, it generally agrees to that. In case the professional estimate is that the Company will use it for a shorter period, this estimated period will be used for the basis of amortization. In case the contract can be renewed, the cost of renewal is capitalized and will be amortized.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Income Statement depending on the function of the intangible assets.

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.

Research and development
Cost incurred on development projects are recognised as expense unless 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 Company’s intention to complete the intangible asset and use or sell it;
- The Company’s ability to use or sell the intangible asset;
- To prove that the intangible asset will generate probable future economic benefits. The Company 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. The method and scheduling of the utilisation of the resources can be demonstrated;
- The development costs of the intangible asset can be reliably measured.

The useful life of these assets is assessed individually and amortized based on facts and circumstances. Amortization shall begin when the asset is available for use. The Company 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.

Impairment of intangible assets
At each balance sheet date, the Company reviews the carrying amount of the 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 Company 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)”.

The company does not recognise amortization for intangible assets with indefinite useful lives or intangible assets that are not yet available for use, but based on indicators annually reviews the necessity of impairment.

	Rights	Intellectual property	Research and development	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2019	**182,000**	**2,916**	**804**	**185,720**
Acquisition	29,538	-	-	**29,538**
Scrapping	(2,682)	-	-	**(2,682)**
Other Increase/(Disposals)	(641)	-	-	**(641)**
at 31 December 2020	**208,215**	**2,916**	**804**	**211,935**
Accumulated amortization				
at 31 December 2019	**(101,754)**	**(1,671)**	**(804)**	**(104,229)**
Current year amortization	(8,225)	(118)	-	**(8,343)**
Impairment and reversal of impairment	(1,831)	-	-	**(1,831)**
Scrapping	36	-	-	**36**
Other (Increase)/Disposals	(1)	-	-	**(1)**
at 31 December 2020	**(111,775)**	**(1,789)**	**(804)**	**(114,368)**
Net book value				
at 31 December 2019	**80,246**	**1,245**	**-**	**81,491**
at 31 December 2020	**96,440**	**1,127**	**-**	**97,567**

	Rights	Intellectual property	Research and development	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2020	**208,215**	**2,916**	**804**	**211,935**
Acquisition	97,711	68	-	**97,779**
Scrapping	(72)	(1,011)	-	**(1,083)**
Other Increase/(Disposals)	(596)	57	-	**(539)**
at 31 December 2021	**305,258**	**2,030**	**804**	**308,092**
Accumulated amortization				
at 31 December 2020	**(111,775)**	**(1,789)**	**(804)**	**(114,368)**
Current year amortization	(13,225)	(118)	-	**(13,343)**
Impairment and reversal of impairment (net)	(1,790)	-	-	**(1,790)**
Scrapping	25	256	-	**281**
Other (Increase)/Disposals	(5)	-	-	**(5)**
at 31 December 2021	**(126,770)**	**(1,651)**	**(804)**	**(129,225)**
Net book value				
at 31 December 2020	**96,440**	**1,127**	**-**	**97,567**
at 31 December 2021	**178,488**	**379**	**-**	**178,867**

All intangible assets are free from liens and charges. The intangible assets of the Company, except for R&D, are not internally generated.

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

Net book value	**31 December 2021** HUFm	**31 December 2020** HUFm
Evra	73,198	-
Relugolix	20,856	16,442
Mithra/Drovelis	19,176	14,138
Grünenthal	16,623	20,865
Mycovia	7,635	6,178
Mifepristone	4,938	4,218
Bemfola/Afolia	4,443	4,649
Tocilizumab	3,891	2,216
Other, individually not significant rights	28,107	28,861
Total	**178,867**	**97,567**

The following details the intangible assets considered to be most significant by Management.

Rights – Evra
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. The deal was closed in January 2021 and in accordance with a transitional business license agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The purchase price paid for the assets on the closing of the deal, amounted to USD 263.5m. By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women. EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99 % effective. Royalty type revenues linked to sales of Evra® by Janssen during this transitional period are being reported as sales. The book value of the intangible asset as of 31.12.2021 is HUF 73,198 million.

Rights – Relugolix
On 31 March 2020, the Company announced that it had entered into an exclusive agreement with Myovant Sciences GmbH to market the combination tablet of Relugolix® (containing 40 mg relugolix, 1.0 mg estradiol and 0.5 mg norethindrone acetate) in the indications for uterine fibroids and endometriosis. The geographic scope of the agreement covers Europe, CIS countries including Russia, Latin America, Australia and New Zealand. Myovant is a healthcare company developing innovative products in the field of gynecology and prostate cancer. Under the agreement, Myovant will receive USD 40 million milestone revenue at the time of the contract and will be entitled to additional milestone revenue of up to USD 40 million tied to the achievement of each milestone of regulatory approvals. The milestone revenues tied to post-authorization sales levels could amount to USD 107.5 million and the parties will also tie the amount of royalty to be paid in band to the level of sales. Myovant reserves all rights in the United States with respect to Relugolix® combination tablets, as well as its rights to non-gynecological indications for Relugolix. Net book value of the rights is HUF 16,442 million as of 31 December 2020. During 2021 the amortization period has started. Accordingly the net book value of the intangible assets put in use is 8,925 as of 31 December 2021. For the part of intangible assets which are not in use (net book value at 31.12.2021 is HUF 11,931 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Mithra/Drovelis
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 Dovelis®, a combined oral contraceptive, containing esterol 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. As of 31 December 2020 the value of right is HUF 14,138 million. During 2021 the amortization period has started. Accordingly the net book value of the intangible assets put in use is 11,661 as of 31 December 2021. For the part of intangible assets which are not in use (net book value at 31.12.2021 is HUF 7,515 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorization (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 16,623 million as of 31 December 2021 and HUF 20,865 million as of 31 December 2020.

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 7.635 million as of 31 December 2021. As of 31 December 2021, we performed impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. The Management 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 had 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 2021, we performed impairment test for the remaining intangible assets of HUF 4,443 million based on qualitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Rights – Tocilizumab
On 29 April, 2020 the Company announced that it has entered into an asset purchase agreement with Mycenax Biotech Inc. ("Mycenax") in respect of biosimilar tocilizumab ("Product") for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialise the Product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property (IP) rights, technology know-how and data generated by Mycenax. The Parties have agreed that the price payable by Richter in four instalments amounts to USD 16.5 million. Richter made a down payment of USD 2 million for exclusive negotiation rights and will pay upon signature an additional USD 3 million as upfront payment. The Product is expected to reach the market in the European Union, Canada, Australia and Japan during 2025. The book value of the intangible asset as of 31.12.2021 is HUF 3,891 million and we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

Intellectual property
The average remaining useful life of the intellectual properties in use does not exceed 6.2 years (10.7 years in 2020).

15. Subsidiaries

Investments in subsidiaries, associates and joint ventures are measured at cost. The cost is the purchase price paid for the asset (in case of a foreign currency transaction, the value converted to the Company's functional currency (HUF) using the exchange rate applicable on the date of the transaction). At the acquisition, the Company considers any contingent purchase price as part of the consideration. For subsequent measurement of the obligation arising from the contingent purchase price, the Company applies the IFRS 3 analogy which requires that the change in the fair value of the liability should be recognized in the profit and loss account.

We distinguish three groups of shares:
- investments in subsidiaries,
- investments in joint ventures,
- investments in associates.

The above investments are shown on the balance sheet of the Company under "Investments in subsidiaries, associates and joint ventures".
With respect to "Investments in subsidiaries, associates and joint ventures", the Company reviews annually whether it has identified any impairment indicator and, if it is justified, recognizes impairment on the basis of IAS 36.
The Company considers an indicator when the carrying amount of the investment exceeds the proportionate share of the value of the equity of the investment.
Impairment shall be recognized when an individual rating of investments determines that the carrying amount exceeds the recoverable amount. During the individual rating, in terms of significant investments the cash-flows closely related to the investments were also taken into consideration.
In subsequent years, if the reasons for impairment previously recognized are no longer or are only partially in place, the impairment should be reversed to the recoverable amount, reversal of an impairment loss shall not exceed the carrying amount that would have been determined if no impairment loss been recognised for the asset in prior years.
The impairment and the reversal of impairment are recognized as Net financial income/(loss) in the Income statement.
The accounting policy for accounting for dividend income from subsidiaries, associates and joint ventures is included in Note 2./ II.

Details of the Company's direct and indirect subsidiaries are as follows:

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
1	AO Gedeon Richter - RUS	Russia	100.00	100.00	100.00	100.00	Pharmaceutical manufacturing, Pharmaceutical 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 TOV	Ukraine	100.00	100.00	100.00	100.00	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	Medimpex Jamaica Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
12	Medimpex West Indies Ltd.	Jamaica	60.00	60.00	60.00	60.00	Pharmaceutical trading
13	Humanco Kft.	Hungary	100.00	100.00	100.00	100.00	Social, welfare services
14	Pesti Sas Holding Kft.	Hungary	100.00	100.00	100.00	100.00	Portfolio management
15	Richter Szolgáltató Kft.	Hungary	100.00	100.00	100.00	100.00	Catering services
16	Reflex Kft.	Hungary	100.00	100.00	100.00	100.00	Transportation, carriage
17	Chemitechnik Pharma Kft.	Hungary	66.67	66.67	66.67	66.67	Engineering services
18	GYEL Kft.	Hungary	66.00	66.00	66.00	66.00	Quality control services
19	Armedica Trading S.R.L.	Romania	99.92	99.92	99.92	99.92	Portfolio management
20	Gedeon Richter Farmacia S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical retail
21	Gedeon Richter France S.A.S.	France	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
22	I.M. Gedeon Richter-Retea Farmaceutica S.R.L. (1)	Moldavia	-	51.00	-	51.00	Pharmaceutical retail
23	Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
24	Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
25	Medimpex UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
26	Farnham Laboratories Ltd. (2)	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
27	Gedeon Richter Aptyeka SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
28	Pharmafarm S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical wholesale
29	Gedeon Richter Ukrfarm TOV	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail
30	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
31	PregLem S.A.	Switzerland	100.00	100.00	100.00	100.00	Research and development, Marketing services
32	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
33	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
34	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
35	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
36	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
37	Pharmarichter OOO	Russia	100.00	100.00	100.00	100.00	Pharmaceutical sales promotion
38	I.M. Rihpangalpharma S.R.L. (1)	Moldavia	-	65.00	-	65.00	Pharmaceutical wholesale
39	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
40	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
41	Gedeon Richter d.o.o. (Slovenia)	Slovenia	100.00	100.00	100.00	100.00	Marketing services
42	Gedeon Richter Benelux SPRL	Belgium	100.00	100.00	100.00	100.00	Marketing services
43	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
44	Gedeon Richter KZ TOV	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
45	GRMed Company Ltd.	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
46	Gedeon Richter Pharmaceuticals (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
47	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
48	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
49	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
50	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
51	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
52	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
53	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
54	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
55	Gedeon Richter Bolivia SRL	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
56	Gedeon Richter Australia PTY Ltd.	Australia	100.00	100.00	100.00	100.00	Trading of biotech products, Marketing services
57	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
58	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
59	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
60	Finox Biotech UK and Ireland Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Marketing services
61	Gedeon Richter Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
62	Gedeon Richter Bulgaria Ltd.	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
63	Gedeon Richter Pharma O.O.O.	Russia	100.00	100.00	100.00	100.00	Marketing services
64	Pharmapolis Gyógyszeripari Tud. Park Kft.	Hungary	100.00	100.00	100.00	100.00	Building project management
65	Forhercare Kft.	Hungary	100.00	100.00	100.00	100.00	Pharmaceutical retail

(1) The company had been sold in July 2021.
(2) The company's principal activity has been suspended.

	Name	Date of establishment / acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
66	Gedeon Richter Vietnam Ltd.	08.2021	Vietnam	100.00	-	100.00	-	Pharmaceutical retail

Changes in the investment in subsidiaries are presented in details in the table below:

Name	31 Dec. 2021	Event for the change in 2021		1 Jan. 2021
	HUFm	HUFm	Reason	HUFm
AO Gedeon Richter - RUS	17,672			17,672
Gedeon Richter Pharma O.O.O.	1,977	793	Increase in capital	1,184
Gedeon Richter Romania S. A.	19,106			19,106
Gedeon Richter Polska Sp. z o.o.	10,217			10,217
Richter-Helm BioLogics GmbH & Co. KG	3,308			3,308
Grmed Company Ltd.	28,207			28,207
Gedeon Richter Mexico, S.A.P.I. de C.V	3,134	2,028	Increase in capital, reversal of impairment	1,106
Finox AG	28,014			28,014
Gedeon Richter Australia PTY Ltd.	4,840			4,840
Other subsidiaries	8,062	311	Impairment and other non significant changes	7,751
Total	**124,537**	**3,132**		**121,405**

Name	31 Dec. 2020 HUFm	HUFm	Event for the change in 2020 Reason	1 Jan. 2020 HUFm
AO Gedeon Richter - RUS	17,672			17,672
Gedeon Richter Pharma O.O.O	1,184			1,184
Gedeon Richter Romania S. A.	19,106			19,106
Gedeon Richter Polska Sp. z o.o.	10,217			10,217
Richter-Helm BioLogics GmbH & Co. KG	3,308			3,308
GRMed Company Ltd.	28,207			28,207
Gedeon Richter Mexico, S.A.P.I. de C.V	1,106	(594)	Increase in capital, impairment	1,700
Finox AG	28,014			28,014
Gedeon Richter Australia PTY Ltd.	4,840			4,840
Other subsidiaries	7,751	(180)	Impairment and other non significant changes	7,931
Total	**121,405**	**(774)**		**122,179**

The following details the investments considered to be most significant by management.

PregLem S.A.

PregLem was acquired on 6 October 2010. This acquisition supports and provides a gynaecological portfolio and development of the Company's presence in Western Europe.
At the date of the acquisition ESMYA☐, a novel treatment for uterine fibroids, was close to the registration. In February 2012, the European Commission (EC) granted marketing authorization to ESMYA☐ as pre-operative treatment of uterine fibroids what was followed by the authorizations for the extended (use up to two courses - 2014) and intermittent use (2015).
Similarly to the previous years, the Company conducted an impairment test of its investment in PregLem S.A. as of the 2019 balance sheet date by taking into consideration the potential impact of EC's restrictive measures, PRAC's recommendations published in March, 2020 and the withdrawal of US drug application on Esmya®.
The events mentioned above significantly impaired the sales potentials of Esmya® in the European Union, in U.S. territory and, according to the Company's estimates, it reduces the potential market size. Therefore as of 31 December 2019 the Company determined that 100% impairment is need to be accounted for in relation with the Company's investment in PregLem S.A. The total impairment expense accounted is HUF 29,368 million and the carrying value of the PregLem S.A investment is HUF 0.
The business impact of the EC decision of 11 January 2021 on future cash flow cannot be estimated. Accordingly, as of 31 December 2021, the Company did not recognize a reversal of a previously recognized impairment loss. The value of the Company's share in PregLem S.A. as of 31 December 2021 is HUF 0.

Finox Holding

The Company announced on 30 June 2016, that it acquired Finox Holding, a Swiss-based biotech company and its product, Bemfola®, which is a recombinant-human Follicle Stimulating Hormone (r-hFSH) developed as a biosimilar to GONAL-f®, an established reference product. Bemfola® was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola®, excluding the sales and distribution rights in the USA. This was purchased in a later transaction as presented in Note 13.
The acquisition represented a unique opportunity for Richter to widen its core Women's Healthcare franchise and further emphasized its commitment to biosimilar business. Also, it allowed Richter to establish its presence in the female fertility therapeutic area – a significantly growing market. On 10 July 2018, Richter announced that it had 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.

Total consideration paid in cash contains the value of the ownership and a long-term loan given by previous owner. The book value of Richter's investment in Finox Holding considerably exceeds the equity of the subsidiary, therefore the Company examined the fair value less cost of disposal of intangible asset Finox Bemfola calculated by Multi-Period Excess Earnings Method. The Company adjusted the carrying value of the equity of Finox Holding with the fair value of Bemfola determined by using Multi-Period Excess Earnings Method based on fair value less cost of disposal, since this intangible has a significant value, but not recognized in the accounts of Finox Holding. The carrying value of the investment and the Bemfola related intangible assets were compared to the adjusted equity (representing the recoverable amount).

The calculations were based on long term projections (corresponding with useful life of these assets) adopted by Management. Key assumptions are:

Technology barriers in the r-hFSH market are strong, hence the Company does not expect significant generic competition. Any possible erosion is expected to be compensated by new launches (in connection with further geographical expansion), however the effects of new launches are not taken into account in the impairment model.

As a consequence, cash flows show upward trend from 2022 to 2024 in connection with the increase in sales (CAGR 9.5%) after this period the growth is expected to be slower (2% until 2030) and after the peak is achieved a slow downturn of sales are taken into account (CAGR: -1.9% until 2041).
The recoverable amount is significantly, more than twice higher than the investment's book value.

The discount rate (post tax: 4.6%, 4.5% in 2020) applied reflects current market assessments of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted. Any reasonable change in the key assumptions is still not expected to result in an impairment.

GRMed Company Ltd.

GRMed Company Ltd. was acquired in 2013. The transaction supported the Company's stronger presence in China through acquiring an indirect holding in the Chinese trading company Rxmidas. The Company 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 the reorganisation, the reporting structure has changed as well, therefore the recoverable amount of the two investments is assessed together.

The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2021 and 2020 and it was found that there is no need to account for impairment in 2021 like the previous years. Taking into consideration the reorganization of the business (in 2017) and the reporting structure, the book value of Richter's investment as of 31 December 2021 (after the prior merger) were tested for impairment, in one model on group of CGUs level by means of the income-based method with a fair value less cost of disposal approach, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded.
The calculations were based on the long-term turnover projection and cost plan approved by 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.

Between 2022 and 2031 a continuous increase in cash flows is expected mainly due to new product launches. The share of net sales in connection to these new products increase from 3% in 2023 to 23% in 2031. As for the 2022 and 2031 forecasted period, the compound average growth rate of cash-flows is 40.3%.

In the impairment test, the net assets of the Chinese subsidiary were considered. (Consistently with the cash flow projections.).

The sum of the present value of 2022-2031 cash flows (representing 21% of the total recoverable amount) and the conservatively estimated residual value (reckoning with 0% growth) is significantly (more than two times) higher than the tested amount.

The discount rate (post tax: 4.90% in 2021 and 6.35% in 2020) 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.
A rise in post-tax discount rate to 14.1 % or 21.2 % decrease in forecasted sales volumes would remove the remaining headroom.

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

DNA Pharmaceuticals S.A. of Mexico was acquired in 2014. The investment value was tested by the Company for impairment as of 31 December 2021 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, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount (which is level 3 in the fair value hierarchy).

The calculations were based on the long-term turnover projection approved by Management (2022-2031), 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.

In the impairment test, the current assets and all liabilities of the Mexican subsidiary were taken into account. (Consistently with the cash flow projections.)

The discount rate (post tax: 7.3% in 2021 and 7.1% in 2020) applied reflects current market assessments of the time value of money and the risks specific to the assets for which future cash flow estimates have not been adjusted.

In the past 2-2,5 years, the Company has implemented various measures to achieve greater efficiency, reduce and control operating costs in order to increase the long-term profitability of the Mexican business. The sale of Evra® contraceptive patches will be started in 2022 which will have a significant positive impact on the future profitability of Gedeon Richter Mexico. Besides, the value of allocated intangible asset has been also increased due to the Mexican share of total Evra intangible asset value. In addition to the fact that the company will realize a significant surplus in the future from Evra® sales, the new product portfolio will also perform better than previously expected. The recoverable amount based on current forecast covers the net book value of investment and other assets. Due to the listed reasons and based on our impairment test, the investment value has been increased by HUF 1,206 million as a reversal of previously recognized impairment.

Gedeon Richter Australia Pty Ltd.

Gedeon Richter Australia Pty Ltd. was acquired in 2018 under a share purchase agreement concluded between the Company and Finox AG. The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2021 as well.

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, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded. The calculations were based on the long-term turnover projection approved by Management (2022-2031), 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.

Based on the forecasts, significant new products are expected to be launched from 2024, which will be supported by a significant increase in the subsidiary's resources. As a result of the above mentioned tendency, negative cash flows will occur in 2024, and then in parallel with the introduction of new products the cash-generation of the subsidiary will continuously improve. The compound average growth rate (CAGR) of sales revenue is projected to be close to 11.5% over the period 2022-2031.

The sum of the present value of 2022-2031 cash flows represents 22.5% of the total recoverable amount. The residual value of cash-flows was estimated using a conservative approach (reckoning with 0% growth).

In the impairment test, the current assets and all liabilities of the Australian subsidiary were taken into account. (Consistently with the cash flow projections.)

The recoverable amount determined based on the assumptions above exceeded the carrying value considerably. A rise in post-tax discount rate to 9.8 % or 7.7% decrease in forecasted sales volumes would remove the remaining headroom.

The discount rate (post tax: 6.0% in 2021 and 5.7% in 2020) 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.

Acquisition of subsidiaries in 2021

In August 2021, the Company founded Gedeon Richter Vietnam Ltd. as its subsidiary.

Acquisition of subsidiaries in 2020

In March 2020, the Company founded Forhercare Ltd. as its subsidiary.

16. Investments in associates and joint ventures

16.1. Investments in joint ventures

Details of the Company's direct and indirect joint ventures are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
Medimpex Irodaház Ingatlankezelő Kft.	Hungary	50.00	50.00	50.00	50.00	Renting real estate
Richter Helm BioTec Management GmbH	Germany	50.00	50.00	50.00	50.00	Asset management
Richter Helm BioTec GmbH & Co.KG.	Germany	50.00	50.00	50.00	50.00	Trading of biotech products, Marketing services

The book value of joint ventures was HUF 620 million at 31 December 2020 and it was not changed in 2021.

In the separate financial statement of the Company the investment in the joint venture **Richter Helm BioTec GmbH & Co.KG.** was analysed for impairment, since this company was loss making and had negative equity balance in recent years. The sole purpose of the Company is to coordinate and supervise the product development and sales activity performed by Richter Helm Biologics GmbH & Co.KG based on the instruction of Richter and Helm AG. The company started its business activity, the first products developed in Biologics was launched. Despite the fact that the development of biosimilar products is a very long process, its operation was already profitable in 2021. The two owners wish to maintain the company on a permanent basis and consider the loss of its capital to be temporary, therefore recognition of impairment loss for the investment is not necessary.

16.2. Investments in associates

Details of the Company's direct and indirect associates are as follows:

Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
		31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020	
Hungaropharma Zrt.	Hungary	30.85	30.85	30.85	30.85	Pharmaceutical trading
Pharmatom Kft.	Hungary	24.00	24.00	24.00	24.00	Biotechnological manufacturing
Top Medicina Bt.	Hungary	20.00	20.00	20.00	20.00	Pharmaceutical retail
VITA - Richter SP O.O.O.	Azerbaijan	49.00	49.00	49.00	49.00	Pharmaceutical retail
Pesti Sas Patika Bt.	Hungary	49.00	49.00	49.00	49.00	Pharmaceutical retail
Szondi Patika Bt.	Hungary	33.00	33.00	33.00	33.00	Pharmaceutical retail
Salvia-Med Bt.	Hungary	32.80	32.80	32.80	32.80	Pharmaceutical retail
Evestra Inc.	USA	35.42	35.45	35.42	35.45	Biopharmaceutical research and development
Prima-Temp Inc.	USA	22.99	22.99	22.99	22.99	Pharmaceutical research and development

Name	31 Dec. 2021	Event for the change in 2021		1 Jan. 2021
	HUFm	HUFm	Reason	HUFm
Hungaropharma Zrt.	1,191			1,191
Evestra Inc.	1,624			1,624
Prima-Temp Inc.	-	(1,376)	Impairment	1,376
Other associates	1			1
Total	**2,816**	**(1,376)**		**4,192**

Name	31 Dec. 2020	Event for the change in 2020		1 Jan. 2020
	HUFm	HUFm	Reason	HUFm
Hungaropharma Zrt.	1,191	-		1,191
Evestra Inc.	1,624	(4,836)	Impairment	6,460
Prima-Temp Inc.	1,376	-		1,376
Other associates	1	-		1
Total	**4,192**	**(4,836)**		**9,028**

As of 31.12.2021, the Company decided to account for 100% impairment on its investment in **PrimaTemp**, since due to the uncertain market potential of the product and continuous delays in development, the return on the investment is not expected. The impairment expense accounted for is HUF 1,376 million.

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 investment is significantly lower than the book value therefore HUF 4,836 million impairment loss was recognized in 2020. The net book value of the investments in Evestra after the impairment loss is HUF 1,624 million as at 31 December 2020. As of 31.12.2021 there were no significant changes in the economic circumstances

and assumptions related to the evaluation of the Company's investment Evestra Inc, therefore no further impairment or reversal of previously accounted impairment was deemed to be necessary.

17. Non-current financial assets at amortised cost

17.1. Loans receivable

Accounting policy
Loans are initially recognized at fair value adjusted for transaction costs, and subsequently generally measured at amortized cost using the effective interest method.
If the loan is off-market conditions (for example: 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.

In case of capital contribution, the Company implicitly presents the transaction as a debt instrument.

When the transaction is a debt instruments, the difference between the fair value and the value of the transaction at initial recognition should be accounted for based on the substance of the arrangement, and if it qualifies as a capital increase, it should adjust the cost of the investment. According to IFRS 9 these instruments are measured at amortised cost, because the business model is hold to collect and the contractual terms of the given loans rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The loans receivables are loans given to related parties and other given loans.

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to related companies and other investments	37,028	34,289
Other loans given	1,039	55
Total	**38,067**	**34,344**

The Company accounted for HUF 100 million loss allowance, which is in stage 1, and the remaining HUF 5,064 million is classified as stage 3.
Movements on the Company provision for impairment of loan receivables are as follows:

	31 December 2020 HUFm	Provision HUFm	Reversal of impairment HUFm	31 December 2021 HUFm
Loans given to subsidiaries	5,553	580	1,152	4,981
Loans given to other investments	13	147	-	160
Other loans given	-	23	-	23
Total	**5,566**	**750**	**1,152**	**5,164**

17.2. Government securities and corporate bonds measured at amortised cost

Accounting principles of Non-current financial assets at amorticed cost are described more specifically in Note 9.

The Company accounts for the part of securities at amortised cost model because the business model is hold to collect, 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.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities, corporate bonds	1,441	-
Total	**1,441**	**-**

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

Accounting principles of Non-current financial assets at FVTPL are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Corporate bonds, government securities	76,778	4,479
Other financial asset (Mycovia)	7,873	6,318
Derivative financial instruments	9,107	-
Total	**93,758**	**10,797**

The Company initially recognizes the corporate bonds, government securities 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 Company had not selected the fair value option. On this basis government securities and corporate bonds are subsequently measured at FVTPL.

The amount of corporate bonds and government securities increased significantly, due to the fact, that the received amount from the “RICHTER31” bond issue was invested to debt instruments.

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 14) 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 2019. The fair value of Mycovia financial assets was HUF 7,873 million at 31 December 2021. (HUF 6,318 million in 31 December 2020.)

Derivative financial instruments are presented in Note 11.

19. Non-current financial assets carried at fair value through OCI

Accounting principles of Non-current financial assets at FVOCI are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities	38,318	36,612
Equity instruments	31,265	-
Investments	3,732	1,365
Total	**73,315**	**37,977**

The Company has debt instruments (government securities, corporate bonds) managed under a different business model as a non-current financial assets at fair value through other comprehensive income, based on that the business model 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.

The Company recognised equity instruments as financial assets at fair value through other comprehensive income in current year, and applies the fair value option for these instruments, which are investments in Exchange Traded Funds. The received dividend was HUF 70 million related to these equity instruments.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition, and reviews it in every year. Based on the management valuation, there is no sign to make impairment for assets presented in FVOCI model because no signicant increase in credit risk.

The other significant investment 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 a revaluation gain (HUF 2,367 million) was recorded against revaluation reserve for financial assets at FVOCI in 2021. A closing fair value is HUF 3,671 million.

20. Deferred tax

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

	31 December 2021 HUFm	31 December 2020 HUFm
Deferred tax assets	5,256	-
Deferred tax liabilities	-	-

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

Deferred tax assets / (liabilities)	Investments	PPE and intangible assets	Provision	Impairment	Other temporary differences	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
1 January 2020	**-**	**-**	**-**	**-**	**-**	**-**
(Debited)/credited to the income statement	-	-	-	-	-	**-**
(Debited)/credited to other comprehensive income	-	-	-	-	-	**-**
31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
(Debited)/credited to the income statement	-	1,686	417	674	2,736	**5,513**
(Debited)/credited to other comprehensive income	(257)	-	-	-	-	**(257)**
31 December 2021	**(257)**	**1,686**	**417**	**674**	**2,736**	**5,256**

Of the amount of deferred taxes presented above, deferred tax liability of HUF 613 million 31 December 2021 was offset against deferred tax assets according to IAS 12. (In 2020 HUF 1,202 million)

Temporary differences arising in connection with interest in subsidiaries, associates and joint ventures on which no deferred tax was provided for as a result of deferred tax exception in IAS 12 is not significant.

21. Other long-term receivable

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

	31 December 2021	31 December 2020
	HUFm	HUFm
Government grants	1,706	1,481
Loans given to employees	356	571
Total	**2,062**	**2,052**

The Company was granted government grant relating to property, plant and equipment and research and development activities. As at the end of 2021 HUF 1,706 million was approved but not financially settled, due over one year as long term receivables. (At the end of 2020: HUF 1,481 million) Current portion of related asset is disclosed in Note 25.

22. Inventories

Accounting policy
Inventories are stated at the lower of cost or net realisable value. The balance sheet value is the cost less the recognized impairment and the received and estimated discounts, increasing the value of the reversed impairment.

The cost of purchased inventories includes all costs incurred and directly attributable to inventory until purchase. At the end of the year, its valuation will take place at a weighted purchase price taking into account the amount of closing stock, less the amount of impairment and increasing the value of the reversed impairment.

The cost of self-manufactured inventories is the calculated actual production cost. 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. 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.

	31 December 2021 HUFm	31 December 2020 HUFm
Raw materials, packaging and consumables	37,899	31,176
Production in progress	1,233	664
Semi-finished and finished goods	53,203	45,416
Total	**92,335**	**77,256**

The 2021-year end balance of inventory increased by 20% (HUF 15 billion) compared to the end of the comparative period.
The value of purchased stock increased by 21.6%, while the value of self-produced inventory increased by 17.1%. The year-end value of self-production inventories did not change compared to the base period, but the value of services in progress increased, which led to an increase in the item.

There was a significant increase in the value of inventories in both own-produced and purchased finish products (HUF 1 billion and HUF 3.5 billion). At the same time inventories calculated in forms (boxes) decreased significantly (from 58 M boxes to 51,4 M boxes). The explanation to this apparent contradiction is that within the portfolio continued the grow of the high value-added products in 2021 also closely related to the specialty pharma transformation (Levosert® IUS, Ryeqo tbl, Evra®, Drovelis tbl).
With regard to raw materials and own produced active substances the products still under development phase or API's and intermediates of the products launched in last year, as well as manufacturing schedule with ensuring the safety stock levels formed the higher value in inventories.

In 2021, impairment of HUF 2,336 million was recorded and HUF 45 million was reversed, while HUF 2,800 million and HUF 134 million respectively in 2020. 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.

As of 31 December 2021 the total carrying amount of inventories that are valued at net realizable value amounts to HUF 173 million, as of 31 December 2020 it was HUF 78 million.

All items of Inventories are free from liens and charges.

23. Contract assets

Accounting policy
The Company's right to consideration in exchange for goods or services that the Company 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 allowance for impairment as described in Note 9 above.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Current contract assets	2,452	1,405
Total contract assets	**2,452**	**1,405**

The amount of allowance for impairment is not material, therefore it is not presented.

24. Trade receivables

Accounting policy
Receivables are measured at cost, less impairment and adjusted by reversal of the previously recognized impairment as described in accounting policy section in Note 9 above.
Realized exchange gains or losses arising on the settlement of foreign currency receivables shall be 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 must be revalued using the exchange rate specified in the Accounting Policy, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is 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, so in case of credit balance is presented as liability in the Balance Sheet.

	31 December 2021 HUFm	31 December 2020 HUFm
Trade receivables (3rd parties)	93,170	73,981
Amounts due from related companies and other investments	68,795	64,980
Total	**161,965**	**138,961**

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

	2021 HUFm	2020 HUFm
At 1 January	**2,381**	**3,144**
Provision for receivables impairment	29	190
Reversal of impairment for trade receivables, withdrawal	(79)	(953)
At 31 December	**2,331**	**2,381**

Impairment of trade receivables (HUFm)

31 December 2021	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	0.01%	0.03%	0.03%	0.15%	3.02%	94.16%	**1.42%**
Gross carrying amount – trade receivables	146,282	7,569	6,458	1,340	199	2,448	**164,296**
Loss allowance	14	2	2	2	6	2,305	**2,331**

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	0.01%	0.01%	0.05%	0.11%	0.46%	97.68%	**1.68%**
Gross carrying amount – trade receivables	124,180	8,737	4,198	949	861	2,417	**141,342**
Loss allowance	12	1	2	1	4	2,361	**2,381**

25. Other current assets

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to employees	463	457
Other receivables	6,478	7,160
Prepayments	415	433
Tax and duties recoverable	3,050	3,179
Advances	8,070	3,674
Prepayments	2,397	2,051
Total	**20,873**	**16,954**

The Company presents approved but not financially settled grants amount of HUF 2,727 million due within 1 year, relate to acquisition of property, plant and equipment and research and development activities.

26. Current financial assets at amortised cost

Current financial assets measured at amortised cost contains the loans receivables are given to related parties and other given loans, that are due within a year. The relevant part of accounting policy can be found in Note 9 and 17.

	31 December 2021 HUFm	31 December 2020 HUFm
Loans given to related companies and other investments	6,845	6,086
Other loans given	553	-
Total	**7,398**	**6,086**

The impairment related to current financial assets are detailed in Note 17.

27. Current financial assets at fair value

	31 December 2021 HUFm	31 December 2020 HUFm
Government securities, corporate bonds	-	5,478
Other securities	-	1,664
Foreign currency forwards – trading derivatives	271	-
Foreign currency forwards – cash flow hedges	25	-
Total (Note 9)	**296**	**7,142**

The Company accounts for the government securities, corporate bonds at fair value through OCI model because the business model is hold to collect and sell and the SPPI test is met. There is no current financial assets in current year, the amount presented in 2020 was derecognised in 2021. The relevant part of the accounting policy can be found in Note 9.

Under Other securities a convertible promissory note to associates (Prima Temp) is shown that is mandatorily measured at FVTPL. The other securities was impaired in 2021.

Foreign currency forwards are measured at fair value, and the relevant part of accounting policy and details can be found in Note 11.

28. Current tax assets and liabilities

Accounting policy
A current tax liability is recognised, at the balance sheet date for unpaid current tax expense for the current and prior periods. If the amount paid for current and prior periods exceeds the amount due for those periods, the excess is recognized as current tax asset.
Current tax assets and liabilities are measured at the amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.
Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
Current tax is recognised as income or an expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities

	31 December 2021 HUFm	31 December 2020 HUFm
Current tax assets	154	70
Current tax liabilities	(1,313)	(590)

29. Cash and cash equivalents

Accounting policy
In the Cash Flow Statement Cash and cash equivalents consist of cash, bank deposits and cash equivalents: in practice, they are securities that are used to settle short-term financial liabilities, and are not held for investment or other purposes, typically have an expiration date of up to 3 months from the date of purchase (e.g. debt securities). In the Balance Sheet the overdrafts are presented in line "Borrowings", within current liabilities.

29.1. Cash and cash equivalents

	31 December 2021 HUFm	31 December 2020 HUFm
Bank deposits	33,850	116,380
Cash on hand	-	13
Total (Note 9)	**33,850**	**116,393**

The total amount of Cash and cash equivalents as at 31 December 2021 and 31 December 2020 was short term demand deposit and bank deposit. It is denominated in EUR, USD, HUF and other currencies which is presented in more details in Note 9.

29.2. Reconciliation to cash flow statement

	31 December 2021 HUFm	31 December 2020 HUFm
Cash and cash equivalents	33,850	116,393
Cash-pool receivable	6,158	4,804
Cash-pool overdraft	(1,105)	(4,961)
Total	**38,903**	**116,236**

The Company recognises the assets according to the IFRS of daily liquidity management as a part of the cash and cash equivalents. The Cash-pool liability includes the liabilities exposure with the Hungarian subsidiaries.

30. Share capital and reserves

Accounting policy
It contains the face value of the issued shares at the time of foundation and capital increase. Ordinary shares are classified as equity.

When new ordinary shares are issued, the directly attributable incremental costs are presented as a share capital decreasing item on the line of share premium in the balance sheet. The repurchased shares within the share capital are presented separately on the line of treasury shares.

Share capital	31 December 2021 Number	31 December 2021 HUFm	31 December 2020 Number	31 December 2020 HUFm
Ordinary shares of HUF 100 each	186,374,860	18,638	186,374,860	18,638

Detailed ownership structure of the Company on 31 December 2021:

Ordinary shares	Ownership number 31 December 2021	Voting rights* % 31 December 2021	Share capital % 31 December 2021
Domestic ownership	**64,689,461**	**34.72**	**34.70**
State ownership total	126	0.00	0.00
out of which HNAM Inc.	-	-	-
out of which Municipality	126	0.00	0.00
Institutional investors	57,190,857	30.70	30.68
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.00	10.00
out of which Mathias Corvinus Collegium Foundation	18,637,486	10.00	10.00
out of which Foundation for National Health and Education of Medical Doctors	9,777,658	5.25	5.25
Retail investors	7,498,478	4.02	4.02
International ownership	**121,139,280**	**65.02**	**65.00**
Institutional investors	120,901,513	64.89	64.87
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	237,767	0.13	0.13
Treasury shares and shares transferred to ESOT**	**535,279**	**0.25**	**0.29**
Undisclosed ownership	**10,840**	**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 have no voting rights.

Detailed ownership structure of the Company on 31 December 2020:

Ordinary shares	Ownership number	Voting rights* %	Share capital %
	31 December 2020	31 December 2020	31 December 2020
Domestic ownership	**61,903,445**	**33.24**	**33.22**
State ownership total	9,777,784	5.25	5.25
out of which HNAM Inc.	9,777,658	5.25	5.25
out of which Municipality	126	0.00	0.00
Institutional investors	45,829,116	24.61	24.59
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.01	10.00
out of which Tihanyi Foundation	18,637,486	10.01	10.00
Retail investors	6,296,545	3.38	3.38
International ownership	**123,776,762**	**66.46**	**66.41**
Institutional investors	123,554,744	66.34	66.29
Retail investors	222,018	0.12	0.12
Treasury shares and shares transferred to ESOT**	**631,118**	**0.27**	**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 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 Company has neither direct Parent nor Ultimate Controlling Party. On 11 August 2021 Richter informed its shareholders that according to the notice received from Hungarian National Asset Management Incorporated (hereinafter “HNAM Inc.”) on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

Share premium

It contains the difference between the face value and the issuing value.

Capital Reserves

Those capital contributions can be found here, that are not part of the face value of the share or the share premium.

Revaluation reserve for financial assets at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 16, 19, 27), the difference shall be recognized as Revaluation reserve for financial assets at FVOCI.

	Revaluation reserves for financial assets at fair value through other comprehensive income HUFm
At 1 January 2020	**9,507**
Change in the fair value of equity instrument retained	136
Current year change in the fair value of derecognised equity instrument	(1,724)
Reserve of derecognised equity instrument	(7,254)
Deferred tax effect	-
At 31 December 2020	**665**
Current year change in the fair value of debt instruments measured at FVOCI	(1,620)
Current year change in the fair value of equity instruments measured at FVOCI	2,351
Reserve of derecognised equity instrument	(162)
Deferred tax effect	(257)
At 31 December 2021	**977**

Deferred tax is accounted for, relating to the taxable temporary difference of the investments carried at FVOCI. (See details Note 20.)

Cash flow hedge reserve

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 11. Amounts are subsequently reclassified to profit or loss (Revenues).

	Foreign exchange risk HUFm
At 1 January 2021	**-**
Change in fair value of hedging instrument recognised in OCI	(23)
Reclassified from OCI to profit or loss - hedged item has affected profit or loss	-
Deferred tax	-
At 31 December 2021	**(23)**

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 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 31 Treasury shares.

	2021 HUFm	2020 HUFm
Expense recognized in current year	3,804	3,447
Treasury share given (Note 31)	(3,453)	(4,574)
Repurchase obligation from ESOP	(208)	(3,514)
Total changes in reserve presented in the Statement of Changes in Equity	**143**	**(4,641)**

31. Treasury shares

Accounting policy
The Company is granting treasury shares to certain employees in its employee share bonus programs. These bonus programs are accounted for as equity-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 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 Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the entity revises its estimates of the number of shares granted that are expected to vest based on the non-market vesting conditions.

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating three share-based payment programs, described below in more details. 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 2020 and 2021, 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 2021, 6,980 shares were granted to 190 key employees of the Company, while in 2020, 238 employees were granted. The total number of shares distributed were 9,715.

Employee's Share- Ownership Programme (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 2020 and in 2021 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2021, and HUF 1.6 billion in 2020. Since management considers the amount not to be material in compare to the financial statements as whole, therefore further IFRS 2 disclosures are not presented. 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 a program related to employee share bonuses (Staff Stock Bonus Plan 2021), the Company granted 212,693 treasury shares to 4,783 employees in 2021. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2024 which means the end of vesting period. In 2020, 277,947 treasury shares were granted to 4,783 employees which will be deposited on the employees' security accounts until 2 January 2023.

The AGM held on 15 April 2021 approved that the Company may purchase its own shares for the treasury, the aggregated nominal value of which shall not exceed 10 % of the registered capital of the Company. Based on this approval, the Company purchased 104,759 treasury shares during the year.

Treasury shares	**2021** Numbers	**2020** Numbers
at 1 January	**130,255**	**666,705**
Share purchase	104,759	230,073
Transferred as part of bonus program	(6,980)	(9,715)
Individual bonuses	-	-
Transferred to ESOT	25,101	(493,103)
Granted pursuant to employee share bonuses	(212,693)	(277,947)
Granted repurchased pursuant to employee share bonuses	19,029	14,242
at 31 December	**59,471**	**130,255**

Book value	**2021** HUFm	**2020** HUFm
at 1 January	**951**	**3,875**
Share purchase	819	1,650
Transferred as part of bonus program	(58)	(58)
Individual bonuses	-	-
Transferred to ESOT	490	(2,845)
Granted pursuant to employee share bonuses	(1,851)	(1,766)
Granted repurchased pursuant to employee share bonuses	161	95
at 31 December	**512**	**951**

32. Non-current liabilities at fair value through profit or loss

Accounting policy

Th Company may hold a variety of derivative financial instruments to manage its interest rate and foreign currency risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps and options.

Derivatives are initially recognized at fair value at the inception of the contract and are remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in profit or loss, unless the Company has designated the derivative as a hedging instrument and is an effective hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

Positive fair value derivatives are accounted for as financial assets, while negative fair value derivatives are accounted for as financial liabilities. Derivative financial instruments are classified as non-current assets and non-current liabilities if the remaining maturity of the instrument exceeds 12 months and no realization is expected within 12 months. Other derivatives are presented under current financial assets at fair value and current financial liabilities at FVTPL.

Accounting principles of Non-current financial liabilities are described more specifically in Note 9.

	31 December 2021 HUFm	31 December 2020 HUFm
Debt on issue of bonds	54,468	-
Financial derivative instruments	8,518	-
Other non-current financial liabilities at FVTPL	1,818	1,757
Total	**64,804**	**1,757**

Debt on issue of bonds

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The "RICHTER 2031 HUF Bonds" (short name: RICHTER31) were issued with following terms:

- Total face value: HUF 70,000 million
- Maturity: 10 years
- Repayment schedule of the principal: 10-10-10% in 2028, 2029 and 2030, 70% at maturity in 2031
- Coupon amount: 1.75% per annum
- Settlement date of interest and principal: 4th June respectively.

Financial liability derived from the issuance of bonds was initially recognised at fair value (HUF 63,213 million) that amount was calculated based on the price offered by independent market participants on the closed auction. The amount of premium received at issuance (HUF 7,060 million) is presented among Other non-current liabilities and accruals on the balance sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond.

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 11.

The balance of debt on issue of bonds was HUF 54,468 million on December 31, 2021, and HUF 1,225 million was transferred to Current liabilities at fair value.

The fair value of the financial liability derived from the issuance of bonds was classified as Level 2 because of the lack of an active market. The Company used the discounted cash flow method to determine the fair value of the liability and discounted the cash flows from payments of interest and principal. The discount rate was calculated based on the relevant zero-coupon rates as at the date of valuation and considered a margin between the commercial bank offers at the auction and the yield of the government bonds.

Financial derivative instruments are presented and detailed in Note 11.

33. Lease liabilities

Accounting policy
At inception of a contract, the Company 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 Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Company, 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 Company:
The Company applies comperative 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.

Depreciation 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.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Exemptions
Contracts may contain both lease and non-lease components. The Company 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 Company 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 Company does not act as finance lessor.

For operating lease, the Company 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.

In 2020 and 2021, the Company leases various buildings, machineries and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years.
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 Company 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.

Extension and termination options
Extension and termination options are included in a number of property and equipment.

34. Other non-current liabilities and accruals

	31 December 2021 HUFm	31 December 2020 HUFm
Government grant - deferred income	6,741	6,551
Premium of Bond Funding for Growth Scheme	5,927	-
Total	**12,668**	**6,551**

Government grants relate to acquisition of property, plant and equipment and research and development activities.
For relevant accounting policy see Note 21.

The amount of premium received at bond issuance is presented among Other non-current liabilities and accruals on the balance sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond. For detailed information please see Note 32.

35. Provisions

Accounting policy
Provisions are recognised when the Company has a current legal or constructive obligation arising as a result of past events, and when it is probable 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 Company 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.

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 Company's future actions
- the expected liabilities in respect of non-closed litigation cases, if it is probable that the Company 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.

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.

Pension program and other long-term employee benefits

The Company pays benefit to retiring employees according to the Collective Agreement as defined-benefit. As an additional benefit, the Company financially rewards those employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end pf the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

Defined benefit pension plan

The Company operates a post-employment defined benefit program, which is presented as Provision in the 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 in the Retained Earnings (presented in other comprehensive income as item that is not reclassified later in profit and loss).

Defined contribution plans

For defined contribution plans the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

	31 December 2021 HUFm	31 December 2020 HUFm
Other short term provisions	26	1,236
Long term provisions – for jubilee programs	785	1,022
Long term provisions – for retirement benefits	3,824	4,350
Total	**4,635**	**6,608**

The provision of the Company at a given period of time:

	31 December 2021 HUFm	Reversal HUFm	Provision HUFm	31 December 2020 HUFm
Compensation	26	(1,437)	227	1,236
Long term provisions – to defined benefit liabilities (according to actuarial valuations)	4,609	(1,161)	398	5,372
Other	-			-
Total	**4,635**	**(2,598)**	**625**	**6,608**

	31 December 2020 HUFm	Reversal HUFm	Provision HUFm	31 December 2019 HUFm
Compensation	1,236	-	25	1,211
Long term provisions – to defined benefit liabilities (according to actuarial valuations)	5,372	(266)	2,563	3,075
Other	-	-	-	-
Total	**6,608**	**(266)**	**2,588**	**4,286**

Defined retirement benefit plans at the Company

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.

	2021 HUFm	2020 HUFm
Opening value of retirement benefit	4,350	2,466
Interest costs (charged to the P&L)	122	-
Service costs (charged to the P&L)	197	202
Settlement	(129)	(158)
Actuarial loss/(gain) (charged to the OCI)	(716)	1,840
Retirement benefit liability	**3,824**	**4,350**

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, using a Nelson-Siegel curve fitting, based on the market yields at the end of 2021 and 2020.

Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate
1	3.32%	11	4.61%	21	4.65%	31	4.67%	41	4.67%
2	3.99%	12	4.61%	22	4.65%	32	4.67%	42	4.67%
3	4.28%	13	4.62%	23	4.65%	33	4.67%	43	4.67%
4	4.42%	14	4.63%	24	4.66%	34	4.67%	44	4.67%
5	4.49%	15	4.63%	25	4.66%	35	4.67%	45	4.68%
6	4.53%	16	4.64%	26	4.66%	36	4.67%	46	4.68%
7	4.55%	17	4.64%	27	4.66%	37	4.67%	47	4.68%
8	4.57%	18	4.64%	28	4.66%	38	4.67%	48	4.68%
9	4.59%	19	4.65%	29	4.66%	39	4.67%	49	4.68%
10	4.60%	20	4.65%	30	4.66%	40	4.67%	50	4.68%

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

The exit rates used were determined by analyzing the historical data of the Company.

Annual average rate of fluctuation used in the calculation:

Age	Annual average rate of fluctuation (2021)	Annual average rate of fluctuation (2020)
0-25	9.9%	8.3%
26-30	9.0%	8.2%
31-35	7.2%	6.8%
36-40	5.9%	5.5%
41-45	4.6%	4.1%
46-50	3.2%	2.8%
51-55	2.6%	2.3%
56-60	2.3%	2.1%
61-	2.3%	1.9%

Sensitivity analyses

The following sensitivity analyses have been carried out in conjunction with employee benefits:
- Shifting the discount curve by -50 basis points (-0.5%)
- Shifting the discount curve by 50 basis points (+0.5%)
- 50 basis points lower inflation rate (-0.5%)
- 50 basis points higher inflation and index rate (+0.5%)
- 25% decline in annual resignation rates (-25%)
- 25% increase in annual resignation rates (+25%)
- For mortality rates, value calculated without the 50% selection factor (population mortality data)

	Sensitivity	Retirement liability	Jubilee benefit	Total liability	Change (%)
Value of liability		3,824	785	4,609	
Reduced discount curve	-0,50%	4,055	814	4,869	6%
Increased discount curve	0,50%	3,613	758	4,371	-5%
Lower inflation rate	-0,50%	3,612	785	4,397	-5%
Higher inflation and index rate	0,50%	4,074	815	4,889	6%
Reduced resignation rates	75%	4,172	835	5,007	9%
Increased resignation rates	125%	3,522	740	4,262	-8%
Population mortality data	100%	3,575	762	4,337	-6%

A 50 basis point shift in the discount curve results in a 6% higher or 5% lower liability value. A 50 basis point decrease in wage inflation results in a 5% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 6% increase in the provision with all other assumptions held constant.
The model is sensitive to the value of the resignation rate, as illustrated by the fact that a reduction in the rates to 75% results in a 9% increase in the liability, while an increase in the rates to 125% results in an 8% decrease in the year-end value of provisions.
In addition, using population mortality data instead of applying a 50% selection factor would result in a 6% lower provision value.

36. Borrowings

Accounting policy
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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.

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

	31 December 2021 HUFm	31 December 2020 HUFm
Borrowings non-current	-	-
Borrowings current	1,105	4,961
Total	**1,105**	**4,961**

The Company does not have any non-current borrowings.
Current borrowings consist of loans taken cash-pool liabilities on 31 December 2020 in amount of HUF 4,961 million and on 31 December 2021 in amount of HUF 1,105 million.
The Company also has arbitrage and short term financing transactions.

37. Trade payables

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

	31 December 2021 HUFm	31 December 2020 HUFm
Trade payables (3rd parties)	28,493	22,050
Amount due to related companies and other investments (Note 48)	18,004	14,667
Total (Note 9)	**46,497**	**36,717**

38. Contract liabilities

Accounting policy
If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the Company 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 Company to transfer goods and services to a customer for which the Company has received consideration from the customer.

The Company in the separate IFRS Financial Statement does not have any contract liabilities balance.

39. Current liabilities at fair value through profit or loss

The Company recognises the coupon payment of „RICHTER31" bond, that is due in 2022 as a current liability at fair value in amount of HUF 1,225 million. The applied accounting policy and measurement method can be found in Note 32 „Debt on issue of bonds".

The current liabilities at fair value contains foreign currency forwards, including trading and hedging transactions too in amount HUF 89 million. The details can be found in Note 11.

	31 December 2021 HUFm	31 December 2020 HUFm
Debt on issue of bonds	1,225	-
Financial derivative instruments	85	43
Other non-current financial liabilities at FVTPL	2,808	4,250
Total	**4,118**	**4,293**

40. Other payables and accruals

	31 December 2021 HUFm	31 December 2020 HUFm
Short term accruals	8,554	6,673
Dividend payable	161	153
Wages and payroll taxes payable	3,468	3,372
Deferred income	1,569	1,878
Other taxes	213	174
Deposits from customers	122	178
Other liabilities	491	1,117
Premium of Bond Funding for Growth Scheme	722	-
Total	**15,300**	**13,545**

41. Net cash position

Net cash position was previously presented of cash and cash equivalents and cash pool overdraft. Due to the debt on issue of bond the net cash position consists of all relevant financial asset and financial liabilities related to this transaction.

	31 December 2021 HUFm	31 December 2020 HUFm
Cash and cash equivalents	33,850	116,393
Non-current financial assets carried at fair value through profit or loss	61,887	2,596
Derivative financial assets (interest rate swap)	9,012	-
Cash-pool	5,053	(157)
Debt on issue of bonds	(55,693)	-
Derivative financial liabilities (interest rate swap)	(8,476)	-
Borrowings - within one year (excluding cash-pool)	-	-
Borrowings - after one year	-	-
Net debt	**45,633**	**118,832**

	Other assets	Liabilities from financing activities		
	Cash and cash-pool overdraft, non-current financial assets carried at FVTPL, derivative financial assets	**Borrowings due within one year**	**Borrowing due after one year**	**Total**
	HUFm	HUFm	HUFm	**HUFm**
Net cash as at 1 January 2020	**106,869**	**-**	**-**	**106,869**
Cash flows	11,419	-	-	**11,419**
Other non-cash movements	544	-	-	**544**
Net cash as at 31 December 2020	**118,832**	**-**	**-**	**118,832**
Cash flows	(7,218)	-	70,273	**(77,491)**
Other non-cash movements	(1,812)	-	(23,056)	**21,244**
Reclassification from long-term to short-term	-	1,225	(1,225)	**-**
Net cash as at 31 December 2021	**109,802**	**1,225**	**45,992**	**62,585**

42. Dividend on ordinary shares

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

	2021 HUFm	2020 HUFm
Dividend on ordinary shares	41,934	11,741

A dividend of HUF 225 per share (HUF 41,934 million) was declared in respect of the 2020 results, approved at the Company's Annual General Meeting on 15 April 2021 and paid during the year.

43. Agreed capital commitments and expenses related to investments

	31 December 2021 HUFm	31 December 2020 HUFm
Contractual capital commitments of the Company	12,439	7,312

The Company's capital expenditure program for 2022 approved by the Board of Directors is HUF 48,034 million, from which the contractual capital commitments comprises amounts to HUF 12,439 million which is not shown in the Company's financial statements of 2021.
The above commitments were not recorded neither in the Income Statement, or in the Balance Sheet.

44. Guarantees provided by the Company

The Company provide Parent Company guarantees to the trade partners of Pharmafarm in amount of RON 71 million.

45. Employee information

	2021	2020
Average number of people employed during the year	6,368	6,481

46. Social security and pension schemes

The Company has provided in relation to the employees in Hungary social contribution tax amounting to 15.5% and vocational training contribution amounting to 1.5% of gross salaries which are paid during 2021 to the National Tax and Customs Administration by the Company. The Company 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 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 within five years of the statutory retirement age. The total cost of the contributions made by the Company was HUF 1,920 million in 2021 (HUF 1,823 million in 2020).

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

47. Contingent liabilities

Bank guarantee
The bank guarantee provided by UniCredit Bank secures a bank guarantee facility of RON 60 million for our Romanian subsidiaries, under which agreement bank guarantees are allowed to be issued for the business partners of subsidiaries up to the amount of the facility.

48. Related party transactions

The transactions among the Company and its subsidiaries and related parties are below.

Until 2019 the Hungarian National Asset Management Incorporated, as a business organization was having a significant interest over Richter nevertheless the Company had no other transactions with the State Holding Company, than the regular dividend payments. On 11 August 2021 Richter informed its shareholders that according to the notice received from Hungarian National Asset Management Incorporated (hereinafter “HNAM Inc.”) on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

	2021 HUFm	2020 HUFm
Dividend paid to HNAM Inc.	2,203	1,792

The Company 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.

48.1. Significant information of Related parties

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

	31 December 2021 HUFm	31 December 2020 HUFm
Loans provided to subsidiaries	36,868	35,471
Loans to joint ventures	5,067	4,841
Loans to associated companies	158	158
Impairment on loans provided to subsidiaries (BS)	(4,981)	(5,550)
Impairment on loans provided to associates (BS)	(158)	(3)
Impairment on loans provided to subsidiaries (P&L)	(492)	(2,350)
Impairment on loans provided to associates (P&L)	(155)	(3)
Convertible promissory note to associates	1,664	1,664
Impairment on convertible promissory note to associates (BS)	(1,664)	-
Impairment on convertible promissory note to associates (P&L)	(1,664)	-
Accounts receivables from subsidiaries	65,243	60,409
Accounts receivables from joint-ventures	313	-
Accounts receivables from associates	3,380	4,713
Impairment on accounts receivables from subsidiaries (BS)	(141)	(140)
Impairment on accounts receivables from subsidiaries (P&L)	(1)	720
Accounts payables from subsidiaries	17,988	14,658
Accounts payables from joint-ventures	9	-
Accounts payables from associates	7	9
Revenue from subsidiaries	124,120	125,915
Revenue from joint ventures	176	314
Revenue from associates	17,612	16,739

The revenue from related parties are arising mainly from sale of pharmaceuticals.

The Company had an obligation to finance by capital contribution the following related parties: Finox Biotec, Pharmapolis and Richter-Helm BioTec GmbH & Co. KG., which is presented in Loans receivable.

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

48.2. Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2021 HUFm	2020 HUFm
Board of Directors	96	72
Supervisory Board	32	27
Total	**128**	**99**

48.3. Key management compensation

	2021 HUFm	2020 HUFm
Salaries and other employee benefits	1,924	2,300
Share based payments	741	711
Total compensation	**2,665**	**3,011**
Pension contribution paid by the employer	298	385
Total	**2,963**	**3,396**

The Company established the Employee's Share- Ownership Programme (ESOP). (See details in Note 31.)

The table above contains the compensation received by the chief executive officer, directors and other senior members of Management, considered as key Management, constituting 56 people. There were no redundancy payments to key Management members in 2021 and 2020.

49. Asset Held for Sale

In June 2021 Richter divested its wholesale operation in the Republic of Moldova to Grin-Farm S.R.L. and its retail operations to BIRIVOFARM S.R.L., both headquartered in the Republic of Moldova. The CIS decline experienced is mostly due to the transaction which closed in July 2021.

50. Decision made on relevant accounting policy

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market. The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 32.

In the fourth quarter of 2021, the management reviewed its financial risk management strategy in relation to its exposure to currency risk. In December 2021, the management decided to change its risk management policy and started to apply hedge accounting prospectively to mitigate the Company's exposure arising from currency risk related to highly probable forecasted sales transactions. The Company did not apply hedge accounting previously, for detailed information please see Note 11.

51. Notable events in 2021

In 2021 major changes took place in the following areas:

- 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 these separate financial statements, to date there has been no discernible impact on the Company'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.

- The asset purchase agreement concluded in December 2020 between Richter and Janssen Pharmaceutical NV, a wholly owned subsidiary of Johnson & Johnson, was financially closed on 7 January 2021. The purpose of the agreement was the acquisition of the contraceptive patch Evra® for markets outside the United States.

- On 15 January 2021, the Richter announced that the European Commission had adopted the CHMP (Committee for Medicinal Products for Human Use) 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.

- At the end of March 2021, Richter and Mithra Pharmaceuticals announced that the CHMP has adopted a positive opinion for a novel combined oral contraceptive containing estetrol and drospirenone. On 20 May 2021, the European Commission has granted approval for the marketing authorization of the oral contraceptive which will be applicable for all Member States in the European Union. The product will be marketed in Europe by Richter under the brand name Drovelis®.

- On 21 May 2021, the Company announced that the CHMP has adopted a positive opinion recommending approval of Ryeqo for the treatment of moderate to severe symptoms of uterine fibroids in adult women of reproductive age. On 20 July of the same year, the European Commission has granted approval for the marketing authorisation of the product which will be applicable for all Member States in the European Union.

- On 2 June 2021, the Company announced that the licensing agreement with AbbVie in the US was extended to include the marketing and development of cariprazine in Japan and Taiwan.

- On 2 June 2021, Richter held a successful auction for qualified investors and received funding in the amount of HUF 70,273 m from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

- On 21 June 2021, the Company announced that it has signed a multi-party agreement to divest its wholesale operation to Grin-Farm S.R.L. and its retail operations to BIRIVOFARM S.R.L., both in the Republic of Moldova. Richter as a majority owner of both the wholesale and the retail operations is entitled to approximately 62% of the purchase price, which is receivable upon the closure of the deal.

- On 11 August 2021 Richter informed its shareholders that according to the notice received from Hungarian National Asset Management Incorporated (HNAM Inc.) on 10 August 2021 in Gedeon Richter Plc. the influence (ownership ratio) of the Hungarian State represented by HNAM Inc. has decreased from 5.25% to 0%. Simultaneously the influence (ownership ratio) of Foundation for National Health and Education of Medical Doctors increased to 5.25%.

- On 29 October 2021, Richter's partner, AbbVie announced topline results from two Phase III clinical trials, evaluating the efficacy and safety of cariprazine as an adjunctive treatment for patients with major depressive disorder (MDD). In a first Phase III clinical trial, cariprazine met its primary endpoint demonstrating statistically significant change from baseline to week six in the Montgomery-Åsberg Depression Rating Scale (MADRS) total score in patients with major depressive disorder. In a second Phase III clinical trial, cariprazine demonstrated numerical improvement in depressive symptoms from baseline to week six in MADRS total score compared with placebo but did not achieve statistical significance. Safety data were consistent with the established safety profile of cariprazine across indications with no new safety signals identified. Based on the positive results of clinical trials and the totality of data reported, AbbVie intends to submit a supplemental New Drug Application with the U.S. Food and Drug Administration (FDA) for the expanded use of cariprazine for the adjunctive treatment of MDD.

- On 9 December 2021, Richter and Hikma Pharmaceuticals PLC entered into an exclusive licensing agreement for the sale of products containing the API denosumab in the United States (reference product: Amgen's branded products Prolia and Xgave).

52. Events after the date of the balance sheet

- On 22 February 2022 Richter announced, that its partner, AbbVie submitted a supplemental New Drug Application (sNDA) for cariprazine (Vraylar®) to the U.S. Food and Drug Administration (FDA) for the adjunctive treatment of major depressive disorder (MDD) in patients who are receiving ongoing antidepressant therapy. The submission is supported by results from previously announced clinical trials.

- The recent political situation in Ukraine has been volatile, with changes in the Ukrainian Parliament and the Presidency. After March 2014, the accession of the Republic of Crimea to the Russian Federation resulted in a significant deterioration of the relationship and eventually war conflict between Ukraine and the Russian Federation. The impact of the situation after the Russian invasion on the Company's financial statements is presented in note 3.1. Key sources of estimation uncertainty.

Management is not aware of other post-balance sheet date events that might be material to the Company's business.

53. Approval of financial statements

Current Financial Statements have been approved by the Board of Directors and authorized for release at 9 March 2022.

These 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.

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