GEDEON RICHTER PLC.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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Gedeon Richter Plc.

Management Report

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I. Chairman's Letter to the Shareholders

It is my pleasure to present Richter's Annual Report for 2022, a year marked by the global challenges linked to the war in our neighbourhood, to the subsequent sanctions and to the inflationary pressures and tightening fiscal policies in most of our regions of operation. I am pleased to report that amidst a globally and locally worsening economic environment Richter has achieved a near 30 percent expansion at the topline and a 13 percent growth of operating profit in spite of a recent extraordinary tax levied on the Company in late December 2022. I am also proud to sum up a number of further steps taken both at a strategic and on an operational level during the year under review.

While signs of receding impacts of the challenges imposed by the COVID-19 pandemic and the measures taken by authorities as a response were shown in early 2022 our hopes for a better year were soon shattered by the beginning of a Russian military intervention in Ukraine. The downward spiral of economic sanctions has led to a severe energy crisis across Europe, further disrupting of the supply chains, not completely healed from the wounds collected during the pandemic, tightening labour market conditions, high inflation and depreciation of many currencies across our geographies of operation including our home market, Hungary. Notwithstanding all the difficulties, Richter has managed to successfully navigate through rough waters and expand its business in most of its markets.

We are glad to see important advancements in most of our strategic initiatives.

Cariprazine (VRAYLAR®) was granted by the end of the year FDA approval for adjunctive treatment of major depression, a major market for atypical antipsychotics in the USA. VRAYLAR® has thus become the best-in-class product available on the market for a wide range of psychiatric spectrum diseases. The product also received approval for the Canadian market in April for bipolar disorder and schizophrenia. We are looking forward to see the roll-out of the product in Canada, a market also served by our US partner, AbbVie. Overall proceeds from cariprazine globally exceeded 22 percent 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 of 36 percent. Thanks primarily to the contraceptive patch, EVRA®, the growth rate of this franchise neared 39 percent. Sales of this product group was also supported by the launch of a new oral contraceptive DROVELIS® and turnover of BEMFOLA® also showed an overall growth compared with 2021 partly overshadowed by a temporary slowdown recorded in Australia. We applied for a label extension for relugolix in Europe for the treatment of endometriosis. Richter has committed in 2022 to the ambition to become within the next couple of years the number one market position in the women's healthcare segment in Europe. In this endeavour Richter has made positive progress so far. In line with the targeted expansion of therapeutic coverage Richter announced at the end of December 2022 a binding Heads of Terms with Mithra for the commercialisation of DONESTA®, a next generation orally-administrated estetrol-based hormone therapy product candidate offering a potential long-term solution for treating different symptoms of menopause. The Agreement was finalized and signed in February 2023.

The Biosimilar business also experienced achievements in the year under review. Turnover of teriparatide reported an impressive growth and it amounted to just under HUF 21 billion. The product has achieved global annual sales in excess of EUR 100 million through Richter and global partners. In the case of denosumab, after having entered into its clinical phase of development in 2021, covering both a phase I study and a global phase III programme we can also report on successful completion of all subject and patient recruitment activities in the course of 2022. The clinical programme is expected to be completed in 2024.

Armed conflict in Ukraine has overshadowed our performance on that market. A strengthening RUB in parallel with a weakening HUF throughout most of the year has improved the Group's performance in Russia, primarily when turnover is translated into HUF.

A reassuring sales growth achieved in Russia in RUB terms together with a healthy growth in EUR terms reported in Other CIS countries reveal that in spite of the political turmoil the pharmaceutical market performed without major disruptions during 2022. The outlook for 2023, however, remains gloomy for the entire region.

Taking into account the increased operational risks, inflationary and general supply uncertainties I am very pleased with the strategic developments and profits realised in 2022. I would like to extend on behalf of the Board a special recognition 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 15, 31.1 and 49-50 of the Group's IFRS Consolidated Financial Statements.

2.2. Branches of Gedeon Richter Plc

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

	2022 HUFm	2021 HUFm	Change %	2022 EURm	2021 EURm
Total revenues	802,755	630,595	27.3	2,039.1	1,758.5
Profit from operations	153,555	135,832	13.0	390.1	378.8
Profit for the year(1)	157,255	141,180	11.4	399.4	393.7

	2022 HUF	2021 HUF	Change %	2022 EUR	2021 EUR
Earnings per share (EPS)(2)	835	751	11.2	2.12	2.09
Dividends per ordinary shares(3)	390	225	73.3	0.99	0.63

	2022	2021	Change
Number of employees at the end of the period	12,167	12,262	-95

Notes:
(1) Includes minority interest.
(2) EPS calculations based on the total number of shares issued.
(3) The amount of 2022 dividend per ordinary share is HUF 390 as proposed by the Board of Directors.

3.2. Market Capitalisation (HUF, EUR)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
HUFbn	**1,547**	1,626	1,387	1,196	1,012	1,264	1,157	1,025	659	820
EURm	**3,865**	4,407	3,798	3,617	3,148	4,074	3,721	3,272	2,092	2,761

3.3. Richter Share Price Information

	Date	HUF
Opening price	03.01.2022	8,890
Closing price	30.12.2022	8,300
Change (%)		-6.6
Annual minimum value	26.04.2022	6,530
Annual maximum value	20.12.2022	9,100

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 1930s 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 1930s 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 damage 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 1950s.

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 1980s 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 Bogsch 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 since been fine tuned 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 Tihanyi 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 when 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 Transactions to Support Strategic Goals 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 also included a biotechnology company in Germany in 2007, and two Swiss companies built around key women's healthcare product candidates /products 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, notably 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 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.

Following the divesture of its Moldavian wholesale and retail business back in 2021 Richter went further down the road of improving the profitability of its activities and in 2022 it sold its entire stake in the Romanian wholesale and pharmacy enterprises. The closure of the deal is pending upon authorization of local competition authority and it is due in the first half of 2023.

The companies included in the consolidation and the changes related to them are disclosed in Note 15, 31.1 and 49-50 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 for the Company in 2010. While reaffirming the previously outlined strategic direction, in 2018 new action plans have been determined and 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. 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. From the Company's corporate governance system, the matters relating to the sphere of corporate governance and to what extent the Company applies the Corporate Governance Recommendations set by the Budapest Stock Exchange, the Company provides information in the annually prepared Corporate Governance Report. 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 2022, Gedeon Richter Plc. 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 Richter 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 Chairman of the Board of Directors shall be elected from among the members of the Board of Directors by the members of the Board of Directors. 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.

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

Board of Directors

Erik Bogsch

skills and experience,	graduated as chemical engineer in 1970 obtained qualification in economic engineering in 1974 was in a number of Research and Development management positions 1970-1977
qualifications	Chemical engineer Economic engineer
other appointments	general manager at Medimpex in Mexico 1977 - 1983 deputy chief development engineer at Gedeon Richter 1982 - 1988 president of Hungarian Intellectual Property Protection Council 2003 - In 2001-ben he was awarded Széchenyi Prize Member of Board of MAGYOSZ (Hungarian Pharmaceutical Manufacturers' Association) From 2006 to 2016 President of MAGYOSZ From 1992 till November 2017 CEO of Richter 2017-2022 Executive Director From 2022 advisor to the Company
appointed	From 1992 member of the Board of Directors From 2017 Chairman of the Board of Directors
nationality	Hungarian
year of birth	1947
independent or non-independent member	non-independent

Dr Nándor Pál Ács

skills and experience	From 1992 Assistant Professor at II. Obstetrics and Gynecology Clinic of Semmelweis University From 2000 Senior Lecturer From 2005 University Associate Professor From 2007 Deputy Director Since 2013 Director Since 2015 University Professor
qualifications	University Professor Obstetrician Gynecologist Ph.D., Habil. Graduated at Medical School of Semmelweis University in 1992 He obtained professional qualifications in General Surgery and Clinical Pharmacology Medical doctor-economist
other appointments	Since 2013 Director of the Clinic of Obstetrics and Gynaecology of Semmelweis University appointed Professor by the President of the Republic

appointed	Since April 15, 2021 Member of the Board of Directors of Gedeon Richter Plc
nationality	Hungarian
year of birth	1968
independent or non-independent member	independent

Dr Péter Cserháti

skills and experience	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 consultant at the Károli Gáspár University
qualifications	Doctor of Medicine with a PhD degree Healthcare manager
other appointments	Since 2015 Assistant Professor at the Independent Department of Medical Rehabilitation and Physical Medicine of the University of Pécs, later an honorary Associate Professor In 2019, he was awarded the Batthyány-Strattmann László Prize In 2013 he was appointed Ministerial Commissioner In December 2014, he was appointed Ministerial Commissioner responsible for the Development of Specialist Rehabilitation Care
appointed	Since April 2020 Member of the Board Member of the Remuneration Subcommittee of the Board of Directors
nationality	Hungarian
year of birth	
independent or non-independent member	independent

Ilona Dávid

skills and experience	She started her career at Spar Magyarország Kft Between 2001 and 2003 Financial Manager at Dunaferr Ltd. Between 2003 and 2004 Financial Manager a Lukoil Ltd. Between 2004 and 2005 Financial Manager at Duna Auto Ltd. Between 2005 and 2010 Accountig Manager at MÁV Ltd. Between 2010 and 2012 Chairperson and CEO at Gysev Ltd. Between 2012 and 2018 Chairperson and CEO at MÁV Ltd.

	Between 2018 és 2020 Chairperson and CEO at Volánbusz Ltd. At present she is the CEO of GVC Group (George's Venture Capital Zrt.), which manages the HUNGAST Group
qualifications	Certified economist In 1996 she graduated from the College of Finance and Accounting then in 2012 graduated from the University of Western Hungary
other appointments	In 2020 She was recognized with the Leo Lánczi award Chairperson of the Vasutas Voluntary Pension Fund, member of the Supervisory Board of MOL Zrt. and the University of Dunaújváros As part of her social involvement, she is the Vice-President of the Hungarian Ski Association Founding Member of the WOMEN'S HUNGARY Club Mentor of the HBSL Management Program In 2014, she was awarded the Civilian Section of the Knight of Cross from the Order of Merit of the Hungarian Republic
appointed	Since April 12, 2022 Member of the Board of Gedeon Richter Plc
nationality	Hungarian
year of birth	1972
independent or non-independent member	independent

István Hamecz

skills and experience	He graduated from the Károly Marx University of Economics in 1991 He started his career as a research associate at the Institute of Economic Policy and Planning of the Ministry of Finance From 1992, he became a scientific associate of the Institute of Economics of the Hungarian Academy of Sciences. From 1994 he was a senior economist at the Hungarian National Bank From 1996 Deputy head of the Economics and Research Department From 2001 head, in the position of director, of the Economics and Research Department He gained international experience as a representative of the MNB in the European System of Central Bank's Monetary Policy Committee, in the European Union's Economic and Financial Committee, as well as at the OECD and the World Bank Between 2007 and 2013, he was the president and CEO of OTP Fund Management Between 2013 and 2016, the managing director responsible for Russia and Ukraine at OTP Bank Plc Since 2020 Financial Director at Gedeon Richter Since 2022 Chief Financial Officer, Deputy Chief Executive Officer at Gedeon Richter Plc
qualifications	Economist

	He had further specialized studies at Oxford University, George Washington University, University of Rochester, Bank of London, IMF and Management Center Europe.
other appointments	From 2008 to 2012, he was a member of the Board of Directors of OTP Bank Russia and then the Chairman of its Board of Directors. Representative delegated by the MNB to the Economic and Financial Committee of the European Union, as well as that of MNB to the European System of Central Bank's Monetary Policy Committee.
appointed	Since 2022 Chief Financial Officer, Deputy CEO Since April 12, 2022 Member of the Board of Directors pf Gedeon Richter Plc
nationality	Hungarian
year of birth	1967
independent or non-independent member	non-independent

Dr Ilona Hardy dr Pintérné

skills and experience	In 1980 graduated at Faculty of Law at ELTE Till 1986 she worked at the State Development Bank Between 1987 and 1988 Head of Budapest Bank's bond distribution department Between 1988 and 1990 Head of Securities Trading Secretariat Between 1990 and 1992 founder CEO of the Budapest Stock Exchange and a member of its Board Between 1994 and 2004 she worked as attorney at law Besides Board Member of Hungarian State Property Agency, Privatization Agencies (ÁVÜ, ÁPV) from 1992 to 1994 Between 1993 and 1996 member of the Monetary Council of Hungarian National Bank, Member of the Board of Trustees of the Capital Enterprise Development Foundation
qualifications	Lawyer Securities expert
other appointments	Currently Chairperson of the Board „Aranykor” Voluntary Pension Fund Member of the Budapest Stock Exchange Advisory Committee Chairperson of the Supervisory Board of BOM Deputy Chair of the Hungarian Atlantic Council Board member of National Association of Voluntary Funds
appointed	Since April 2017 Member of the Company’s Board of Directors
nationality	Ukrainian
year of birth	1956
independent or non-independent member	independent

Gábor Orbán

skills and experience	He earned his MA degree at Budapest University of Economic Sciences and studied also in the USA Began his professional career as an economist for the National Bank of Hungary and the European Central Bank 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 From September 2015 he worked as a consultant at Banque Rothschild
qualifications	Economist
other appointments	From September 2016 Richter's Director of Corporate Strategy From January 1, 2017 Chief Operating Officer Since November 1, 2017 Chief Executive Officer of the Company
appointed	Since April 2017 Member of the Company's Board of Directors, Member of the ESG Subcommittee of the Board of Directors
nationality	Hungarian
year of birth	1979
independent or non-independent member	non-independent

Dr Anett Pandurics

skills and experience	Between 1998 and 2000 Consultant at IFUA Horváth & Partner Ltd 2001 Debis IT Services Ltd. – senior consultant, BPR-project leader 2001-2005 Magyar Posta Rt. - Strategic Coordination Director 2002- 2005 Chairman of the Board of Directors of Hungarian Post Insurance Co. 2002 Chairman of the Board of Directors of Logért Ltd. Chief Executive Officer and Chairman of the Board of Directors of Hungarian Post Insurance Co. (Magyar Posta Biztosító Zrt.) and Hungarian Post Life Insurance Co. (Magyar Posta Életbiztosító Zrt.). Since 2013 President of the Association of Hungarian Insurance Companies Since 2019 Member of the Supervisory Board and Audit Board of MOL Plc
qualifications	Economist She holds a PhD from Corvinus University in the field of strategic management
other appointments	She has been granted numerous awards: Pro Universitas Prize Pro Scientia Medal Muzsay Géza Insurance Award
appointed	Since April 2018 Member of Gedeon Richter Plc's Board of Directors Member of the Remuneration Subcommittee of the Board of Directors
nationality	Hungarian

year of birth	1973
independent or non-independent member	independent

Dr László Szabó

skills and experience,	1990- 1993 he worked as general physician 1993-2010 employed by Eli Lilly in numerous different fields, countries and positions Until 2014 Chief Executive Officer of TEVA Hungary Ltd. 2012 -2013 Member of the Innovation Advisory Board at the Ministry of National Economy a From the middle of April 2020 to November 15, 2021 Chief Executive Officer and President of the Board of Directors at Mediaworks Hungary Zrt.
qualifications	Medical doctor
other appointments	In 2013 He was awarded with the Gold Cross Merit of Hungary member of the Board of MAGYOSZ (Hungarian Pharmaceutical Manufacturers' Association) Between 2011-2014 member of the Investors' Committee of AmCham and of the Economic Committee of University of Debrecen In June 2014 Deputy Minister and Parliamentary State Secretary in the Ministry of Foreign Affairs and Trade of Hungary On July 28, 2017 Ambassador of Hungary to the United States of America
appointed	Since April 15, 2021 Member of the Board of Directors of Gedeon Richter Plc.
nationality	Hungarian
year of birth	1965
independent or non-independent member	independent

Bálint Szécsényi

skills and experience	In 1998 he started his career pályáját a Banker Investment Plc as a futures trader Between 1998 and 2000 futures trader, then FX trader In 2000 was employed by Equilor Investment Ltd., where he first was corporate finance partner, later Director Between 2005 and 2009 Managing Director at Equilor Since 2010 Chief Executive Officer at Equilor Investment Ltd. Chairman of the Supervisory Board at Equilor Asset Management Ltd Chief Executive Officer of Central-Eastern European Private Equity and Venture Capital Management Ltd.
qualifications	Economist graduated at the Budapesti University of Economics, with major in Business Valuation
other appointments	Since 2011 Vice-President of Budapest Stock Exchange

	Member of the advisory board at Foundation of the Faculty of Corporate Finance at Budapesti Corvinus University
appointed	Since April 2018 Member of the Board of Directors Member of the ESG Subcommittee of the Board of Directors
nationality	Hungarian
year of birth	1974
independent or non-independent member	independent

Prof. Dr Szilveszter E. Vizi

skills and experience	Graduated from Semmelweis University of Medicine Assistant professor at the University's Institute of Pharmacy In 1977, he took over his assignment as a university professor 1977-1981 Deputy head of the Scientific Research Department of the Ministry of Health Between 1989 and 2002 Director of the Institute of Experimental Medicine (IEM) of the Hungarian Academy of Sciences In 2001 became a professor at the Institute of Pharmacology and Pharmacotherapy of Semmelweis University Currently a fellow researcher professor at the Institute of Experimental Medicine
qualifications	Medical doctor Academician Pharmacologist
other appointments	Between 2002 and 2008 President of the Hungarian Academy of Sciences He was appointed assistant professor in 1967, and university associate professor in 1974 In 1981, he was appointed Scientific deputy director of the Research Institute of Experimental Medicine of the Hungarian Academy of Sciences In 1982 was appointed Head of the department of Pharmacology and Pharmacotherapy at the University of Medical Education and also university professor
appointed **nationality**	Since 2008 Member of the Board of Directors Chairman of the Corporate Governance and Nomination Subcommittee of the Board of Directors Hungarian
year of birth	1936
independent or non-independent member	independent

Supervisory Board

Dr Attila Chikán

skills and experience	Was an economist at the Planning Offices of the Ministry of Metallurgy and Machinery In 1968, he became an instructor at MKKE

	In 1989, he became the head of the Department of Business Economics full member of the Hungarian Academy of Sciences Professor of the Corvinus University of Budapest, Business Economics Department Manager of the Competitiveness Research Centre Between 2006 and 2011 he was the chairman of the supervisory board of Collegium Budapest Since 2012 Board Member of the Central European University Since 2019 member of the supervisory board of the Maecenas Universitatis Corvini Foundation
qualifications	Hungarian economist Academic professor
other appointments	1998-1999 Minister of Economy 2000-2003 Rector of the Budapest University of Economics and Public Administration In 1970 he was appointed founding director of the MKKE Vocational College (today Rajk Vocational College) Since 2010 Chairman of the Rajk Vocational College
appointed	He was appointed university professor in 1990 In 2000, he was elected Chairman of the Supervisory Board and Rector of the University Member, Chairman of Audit Board
nationality	Hungarian
year of birth	1944
independent or non-independent member	independent

Prof. Dr Jonathán Róbert Bedros

skills and experience	Graduate of Semmelweis Medical University National Institute of Cardiology /ward clerk/ Budapest Péterffy Sándor Street Hospital and Clinic /doctor/ National Institute of Rheumatology and Physiotherapy /doctor, specialist/ Ministry of Interior's Central Hospital and Institutions /specialist, medical director, general director/ Szent Imre University Teaching Hospital /chief director from 2011/ SZIOK National Center for Obesity /founding centre manager from 2014/ Prime Minister's Cabinet /Chief Advisor to the Prime Minister from 2017/ Dél-Buda Centrum Zrt. /chairman of the Board of Directors from 2018/ Ministry of the Interior /Deputy National Hospital Commander-in-Chief/
qualifications	Doctor, Rheumatologist and physiotherapist, Internist, etc. Healthcare economist Honorary associate professor Doctor of military and technical sciences
other appointments	Between 1999 and 2005 Head physician and General Director of the Ministry of Interior's Central Hospital and Institutions

	Between 2006 and 2011 Head physician and General Director of Pest County Flór Ferenc Hospital 1998 Ministerial Chief Counselor title Prime Minister's Representative /Prime Minister's Cabinet/
appointed	Since 2012 Member of Supervisory Board
nationality	Hungarian
year of birth	1961
independent or non-independent member	independent

Dr Zoltán Matos

skills and experience	Between 1990 and 1994 assistant professor and then part-time instructor at the Department of Management and Organization of Budapest University of Economics external consultant at IFUA HORVÁTH & PARTNERS Ltd. Between 1994 and 1995 Head of Controlling at Stollwerck-Budapest Kft. From 1995 to 1997 Chief Financial Officer at Brewery Co. Pécs. Between 1997 and 2009 initially Head of Controlling, then CFO and member of the Board of Directors at E.ON Hungaria Co. Ltd. From November 2010 to March 2013 CFO at MOL Energiakereskedő Zrt. From April 2013 to April 2015 managing director at MET Services Ltd. From October 2014 to August 2018 Chief Financial Officer at Olimpia Kerékpár Kft. From May 2015 Chief Financial Officer at CYEB Energy Trading Ltd.
qualifications	Certified economist
other appointments	Graduated at Budapest University of Economics with the specialty of Finance in 1990 Obtained MBA degree at the same university in 1993 From September 2009 to June 2010 President of the Hungarian Energy Office From 2018 Honorary professor at Corvinus University of Budapest Supervisory Board member of Dunamenti Erőmű Zrt. Member of the Advisory Board of Judit Polgár Chess Foundation
appointed	Since April 15, 2021 Member of the Supervisory Board and of the Audit Board of Gedeon Richter Plc.
nationality	Hungarian
year of birth	1967
independent or non-independent member	independent

Dr Lívia Pavlik

skills and experience	Graduated at Budapest University of Economics and Public Administration (Corvinus University Budapest) in 1993 Obtained Ph.D. in 2002 Corvinus University Budapest (BCE), assistant lecturer

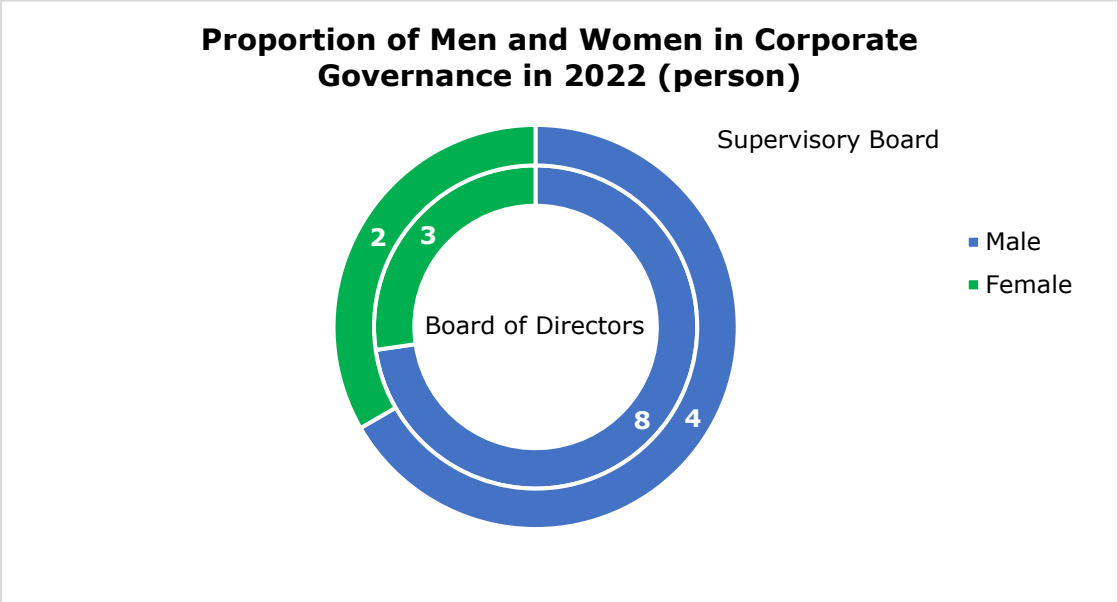
qualifications	Corvinus University Budapest (BCE), assistant professor Corvinus University Budapest (BCE), associate professor Economist Auditor and tax specialist Certified public accountant
other appointments	2009 - Registered auditor, Hungarian Chamber of Auditors 2012 - expert, Social Sciences Committee of the Hungarian Accreditation Committee From 2018 simultaneously ministerial commissioner of Ministry for Innovation and Technology In 2011 Budapest Corvinus University appreciated her with the title of Professor 2017 University Gold Medal 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 From October 2020 chancellor of Semmelweis University 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.
appointed	Since April 15, 2021 Member of the Supervisory Board and of the Audit Board of Gedeon Richter Plc
nationality	Hungarian
year of birth	1969
independent or non-independent member	independen

Dr Krisztina Gál

skills and experience	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. 1999 she started working at Gedeon Richter Plc She has been working in the Research Directorate in numerous different positions (researcher, R&D project leader, project coordinator)
qualifications	Researcher biologist Project manager
other appointments	From 2015 to 2021 Deputy Head of Proprietary R&D Department Since 1999 member of the Trade Union Association of Employees working in the Hungarian Chemical Industry, Energy Industry and Professions of Related Fields (VDSZ) Since 2021 Head of Proprietary R&D Department
appointed:	Since April 15, 2021 Member of the Supervisory Board of Gedeon Richter Plc
nationality	Hungarian
year of birth	1969
independent or non-independent member	non-independent

Péter Müller

skills and experience	2004 Graduated at Semmelweis University Faculty of Physical Education and Sport Sciences 2007 Graduated with the specialty of logistics at the programme level of business administration at Farkas Heller College Representative of industrial safety Member of the Hungarian Company of Logistics, Purchasing and Stockpiling
qualifications	Logistic specialist Lean process developer specialist ADR advisor Sport manager
other appointments	From 2005 to 2015 material department leader at the Syntetic 1. Plant of Gedeon Richter Plc. in Dorog Between 2014 and 2018 deputy chairman of Gedeon Richter Plc.'s Industrial Safety Committee Since 2007 Member of the Trade Union Association of Employees Working in the Hungarian Chemical Industry, Energy Industry and Professions of Related Fields (VDSZ) Member of Gedeon Richter Plc.'s Works Council From 2015 deputy head of Warehouse Unit From 2018 Deputy chairman of Gedeon Richter Plc.'s Works Council From 2019 Project leader of Lean Division
appointed:	Since April 15, 2021. Member of the Supervisory Board of Gedeon Richter Plc. as employee representative
nationality	Hungarian
year of birth	1981
independent or non-independent member	non-independent


Proportion of Men and Women in Corporate Governance in 2022 (person)
Supervisory Board
Board of Directors
2
3
8
4
Male
Female

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 3 international conferences and 2 additional virtual investor roadshows in 2022 in addition to 7 in person business meetings. Regular conference calls were organised during the year following publication of the quarterly reports of the Company and 26 additional conference calls were organised on request.

Conferences and Investor Roadshows in 2022

Conferences		
Concord	Budapest	6 April 2022
BofA Global Healthcare	London	14-17 September 2022
Warsaw Hungarian Investor Day	Warsaw	16-17 November 2022
Investor Roadshows		
Virtual roadshow via MsTeams		25-31 March 2022
Virtual roadshow via MsTeams		28 November – 14 December 2022

Analysts Providing Regular Coverage about Richter in 2022

Bank of America Merrill Lynch	Ms Victoria Lambert
Concorde Securities Ltd.	Mr Attila Vágó
Equilor Investment Ltd.	Mr Balázs Sághy
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. In 2023 the Annual General Meeting is expected to take place at **14.00 on 25 April 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, osteoporosis or postmenopausal Hormone Replacement Therapy (HRT). It cannot be excluded, however, the acquisition of such biological products / projects which represent a good fit with Richter's biological development programme. In December 2022 Richter announced that it signed a Binding Term Sheet with Mithra for the commercialisation of DONESTA®, an estetrol-based product candidate for HRT in postmenopausal women. The agreement was finalised in February 2023.

- 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 40 percent of Gedeon Richter Plc's consolidated profit attributable to owners of the parent calculated according to International Financial Reporting Standards (IFRS) for 2022.

Dividends as approved by the shareholders at the Annual General Meeting on 12 April 2022 totalled HUF 41,934m in respect of 2021. The portion payable in relation to ordinary shares with a face value of HUF 100 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 12 May 2022. The starting date for distributing dividend payments was 16 June 2022.

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 2022, 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 2022.

5.3. Share Price Performance

The closing price of shares as of 30 December 2021 was HUF 8,725 compared to HUF 8,300 as of 30 December 2022. Average monthly share prices in 2022 varied between the minimum of HUF 6,955 per share (in April) and the maximum of HUF 8,700 per share (in December).

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 2022 was HUF 1,547bn reflecting an approximately 5 percent decrease in HUF terms when compared to its value recorded on 30 December 2021. Market capitalisation on 30 December 2022 in Euro terms was EUR 3.9bn.

5.5. Treasury Shares

The number of shares held by the Parent company in Treasury declined during 2022.

Shares Held by the Company in Treasury

	Reason of purchase	Number	Nominal value (HUF)	% as of share capital
at 1 January		**62,471**	**6,247,100**	**0.033**
out of which owned by Parent Company		*59,471*	*5,947,100*	*0.032*
Share purchase		153,045	15,304,500	0.082
ESOT repurchased		257,510	25,751,000	0.138
ESOT year-end pay-off				
Share purchase (OTC)	Bonus, Remuneration	4,620	462,000	0.002
Shares of the employees share bonus that have not vested	Programme approved by NTCA*	26,384	2,638,400	0.014
Total share purchased		**441,559**	**44,155,900**	**0.236**
Transferred as part of bonus program		9,240	924,000	0.005
ESOT shares transferred		192,124	19,212,400	0.103
Granted pursuant to employee share bonuses	Programme approved by NTCA*	281,392	28,139,200	0.151
Total utilization		**482,756**	**48,275,600**	**0.259**
at 31 December		**21,274**	**2,127,400**	**0.010**
out of which owned by Parent Company		*18,274*	*1,827,400*	*0.010*

* National Tax and Customs Administration of Hungary

The total number of Company shares at Group level held in Treasury at 31 December 2022 was 21,274 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 26,384 shares from employees who resigned from the Company during 2022.

The Company purchased 153,045 treasury shares on the Budapest Stock Exchange during 2022.

In accordance with the foundation charter and the III. Incentive Policy of the Gedeon Richter Plc Employee's Share-Ownership Trust ('Richter ESOT') 257,510 treasury shares were received during the first quarter 2022 from the ESOT. To expand the IV. Remuneration Policy and to comply with the V. Remuneration Policy, 8,165 and 183,959 treasury shares were transferred to the ESOT.

Based on a decision of the Board of Directors, 9,240 shares held by the Company in treasury were granted in 2022 to employees participating in a bonus share programme and to other employees who rendered outstanding performance.

In 2022 Richter purchased 4,620 treasury shares on the OTC market.

In line with a programme related to employee share bonuses, on 20 December 2022 the Company granted a total of 281,392 shares in respect of 4,847 of its employees. The above shares in the value of HUF 2,201m will be deposited at employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 1 January 2025.

On 2 January 2023, following the expiry of the lock-up period the Company was able to remove all restrictions on 277,947 Richter ordinary shares granted to its employees on 17 December 2020, thereby enabling these shares to be traded.

5.6. Ownership Structure

The shareholder structure on 31 December 2022 is presented in detail in the following table:

Ownership	**Ordinary shares** Number	**Voting rights** %	**Share capital** %
Domestic ownership	62,278,172	33.42	33.42
State ownership total	126	0.00	0.00
out of which Municipality	126	0.00	0.00
Institutional investors	54,918,917	29.47	29.47
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	7,359,129	3.95	3.95
International ownership	123,657,438	66.35	66.34
Institutional investors	123,442,704	66.24	66.23
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	214,734	0.11	0.11
Treasury shares and shares transferred to ESOT*	428,650	0.22	0.23
Undisclosed ownership	10,600	0.01	0.01
Share capital	**186,374,860**	**100.00**	**100.00**

* Treasury shares with exception of those owned by ESOT do not have voting rights attached.

IV. Chief Executive Officer's Review

2022 was another year full of challenges. Though we have successfully adapted both at an operational and personal level to the new situation following the COVID-19 pandemic, we were forced to tackle the problem created by the Russian-Ukrainian military conflict, which broke out late February 2022. Business in Russia suffered slight temporary delays in the early days of the military conflict; shipments have since then broadly returned to their pre-war routine, while commercial operations were disrupted in Ukraine in late February, resumed in mid-April at significantly lower levels compared to previous sales volumes. Payments were received in due order during the entire reported year.

Being a socially responsible company, we continued to provide a safe and continuous supply of medicines to patients and healthcare professionals who rely on our products worldwide. Also, we assisted those who fled the country providing them and their families with housing and employment in Hungary. In addition to the above Richter offered all of its local stocks for humanitarian relief.

Notwithstanding the above, 2022 was a year of continued strong performance and execution of our long-term growth strategy. Sustained progress has been made on all of our strategic initiatives, while our high added-value specialty product portfolio further increased its share in our turnover.

Our US partner AbbVie further successfully intensified their VRAYLAR® -related commercial efforts, which resulted in an additional boost in US turnover exceeding USD 2.0bn in 2022. This led to a meaningful royalty income during the year under review.

By expanding the geographic presence of cariprazine, I am pleased to announce that in April 2022 VRAYLAR® was approved by Health Canada for the treatment in both schizophrenia and bipolar mania.

Following AbbVie's submission of the supplemental New Drug Application (sNDA) with the FDA for the extended use of cariprazine, our partner received approval for the product as adjunctive therapy for the treatment of major depressive disorder in December 2022. With this recent addition VRAYLAR® being a unique treatment option, covers the widest range of psychiatric diseases.

Our commitment to science was further demonstrated during the year by our joint announcement with AbbVie in March 2022 about a new co-development and license agreement to research, develop and commercialize novel dopamine receptor modulators for the potential treatment of neuropsychiatric diseases. The collaboration is based on the results of preclinical research carried out by Richter and includes several new chemical entities selected for development. I am thrilled by this new addition of an R&D collaboration agreement, which clearly proves the value of our preclinical research pipeline.

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 pleased to report that an agreement has been signed in May 2022 with Searchlight Pharma to distribute and promote one of our flagship women's healthcare products, EVRA®, a transdermal contraceptive patch in Canada. Being the only transdermal option in the market, the patch represents a critical product alternative to the universe of OC pills.

We have also made good progress with the regulatory procedure of our relugolix containing RYEQO® when in October 2022 the application was successfully submitted for the treatment of endometriosis. RYEQO® had already been approved since July 2021 by EMA for the treatment of uterine fibroids in adult women of reproductive age and marketed by Richter in most of the EU countries.

It is our aim to complete our already wide range of women's healthcare products with additions in the field of hormone replacement therapy. In February 2023 we completed a licence agreement with Mithra for the commercialisation of DONESTA®, a novel product candidate for the treatment of post-menopausal symptoms. I am pleased that we are further expanding the therapeutic reach of our niche Women's Healthcare business by adding this meaningful product to our existing hormone replacement therapy portfolio.

It is very encouraging that the performance of our biosimilar TERROSA®® further strengthened during the year under review, especially in Europe. We are looking forward to further exploiting the potential of our biosimilar pipeline in the future.

Another important milestone was reached during the fall of 2022, as we divested our wholesale and retail operations in Romania. This agreement follows the divestment of similar non-core businesses in the Republic of Moldova in 2021 and it further sharpens strategic focus on core activities. The sustained protection of high margins achieved by our highly specialised pharmaceutical business segment is of paramount importance to Richter management.

I would like to personally thank Mr Erik Bogsch for his decades of incredible service and long-standing loyalty to Richter. I have always enjoyed our spirited collaborations and our fruitful discussions. I'd like to express my sincere appreciation for all the hard work and inspiring leadership he contributed over the decades as CEO of the Company, which made Richter an internationally recognised mid pharma player. As an advisor and Chairman of the Board I certainly count on his continuous support and his valuable advice.

It is worth highlighting another meaningful change in the organisational structure, that is the number of members joining the Leadership Team who had previously been in management positions directly supporting the activities of the Leadership Team. This change is expected to result in a more efficient and capable management of the Company.

On 27 December 2022 Richter announced that under Government Decree 582/2022 (XII.23.) on the extra profit taxes the expected magnitude of supplementary pharmaceutical tax payable by the Company for the year 2022 is expected to be approximately HUF 28bn. Although this tax, which is expected to be temporary, hit the bottomline, our annual operating profit still came in at a record high.

Richter Group reported HUF 802,755m consolidated sales in 2022, representing a 27 percent increase when compared with 2021. Cariprazine related revenues amounted to HUF 145,902m in 2022.

Profit for the year was HUF 157,255m in 2022, representing a HUF 16,075m year-on-year increase, I am pleased to report that the Group’s main objectives for 2022 were met.

To achieve our goals, it is essential that our organisational capabilities and culture keeps pace with the complexity of the tasks we will have to perform and the challenges we are facing.

Slightly more than a year ago we have launched our new corporate culture programme. Our goal was to support Richter’s business strategy with an organisational culture which is built on cooperation, transparency and an open-minded approach to everything we do. Within the project our management team has defined corporate values, which are responsibility, innovation, excellence, and human focus. In 2022 we have focused to build awareness around the above-mentioned corporate values. Besides the value communication campaign we have launched company and department level action plans. We have also aligned our capability matrix, training portfolio and performance management system with the recently defined values.

The continuous support of our internal culture ambassador team, more than seventy colleagues who on top of their daily work foster our culture initiatives within their departments, assisted to a great extent the execution of this large scale initiative.

Achieving these important priorities in 2023 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.

I want to take this opportunity to thank Richter´s employees for their dedication and hard work for patients. We have a great team that is truly committed to restoring patients' health, so every person can be at the top of their game. Every day we are impressed how our people strive for the highest levels of excellence in everything they do.

Gábor Orbán

Chief Executive Officer

V. Strategic Review

1. Strategic Targets

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	Turnover HUFm
Legacy business								
1. Traditional portfolio	remaining relevant on the market	S	*				Low	81,876
2. Branded generics	keeping up with market growth	S	*				Low	151,398
Specialty achievements								
3a. WHC	become the market leader in geographical Europe	S/G	*	*			Mid-Low	235,982
4a. Cariprazine	securing margins	G	*	*			Mid-Low	145,902
5a. Biosimilar products	securing margins	G	*	*			Mid-Low	41,185
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 has 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.

Resources of our preclinical research activities during 2022 were focused on the activities related to the agreement signed in March with AbbVie which covered the most important projects which could lead us to reach our strategic goals. At the same time the number of new projects started have been limited so as to increase the speed of the development of projects in later phase. Any above-mentioned change was made with a constant view that our research of potential drug candidates could perform on biological targets only which are at the centre of the scientific and industry needs.

Similar to our previous practice in the year under review also 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 only, 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 also further increase our scientific knowledge, we are continuously looking for collaboration opportunities, or pursue R&D activity with both domestic and international partners.

The advancement of our projects in clinical phases have been set back not only by the COVID-19 pandemic but also the Russian-Ukrainian war. Slowing down of patient enrolment was further increased in the two countries involved in the war and the costs related to obligatory extra clinical tests increased to a significant extent.

At the end of 2022, 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 four 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

In 2022 the NCE R&D organisations were unified and therefore, from 1st of May, one centralized oversight and leadership team drives projects. The new R&D Directorate bears the responsibility for all original, generic and women healthcare R&D projects. At the same time, it has a professional scientific coverage on the two affiliate development units in Poland and Romania, which serve with their resources nearly exclusively the Branded Generic pillar's projects. Finished dosage form development of the women healthcare and original projects is managed by the unified directorate in Budapest. Global Medical Division together with the Analytical Department of Biological Samples, both of them part of the Research Directorate, cooperate closely with the Biotechnological Business Unit supporting its ongoing clinical projects. This directorate was also responsible for designing and managing clinical trials regarding cariprazine both running alone or in cooperation, and for development of a new finished dosage form of cariprazine.

The success story of **cariprazine** continued throughout 2022. 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. Gaining results from our previous studies our partner, AbbVie filed a supplementary new drug application (sNDA) for the adjunctive treatment of major depressive patients. It was our pleasure to recognize the approval of this filing by FDA, as a fourth indication in December 2022. According to this, sales of VRAYLAR® (cariprazine) are expected to increase to the multiple blockbuster status and reach a better position than 100th place on the list of best-selling pharmaceuticals worldwide.

In 2022 four marketing authorizations have been granted for the first indication, while for secondary indications were granted in four additional countries. In 2022 twelve ongoing clinical trials, managed alone, our jointly with our partners, 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 and Development Directorate contributed substantially to the success of cariprazine related scientific conferences and symposiums held in 2022.

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 and Development 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 after API or finished dosage form manufacturing technology transfer of late stage licensed in projects the required regulatory procedures were initiated, and now cost reduction of our own manufactured products will be reality in the predicted timelines.

In order to assist the progress of the **branded generic and traditional projects** Research and Development Directorate provided support to active pharmaceutical ingredient and the finished dosage form development, carried out bioequivalence studies, involving and strengthening professional scientific integration of Polish and Transylvanian development sites. Global Medical Division, as a part of the Research and Development 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, for the treatment of schizophrenia in adults, with a recommended dose range of 1.5 to 6 mg/day and for the treatment of bipolar depression in adults with a recommended doses of 1.5 and 3 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 disorders 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.

During year under review FDA has granted an additional marketing authorisation for the adjunctive therapy to antidepressants for adjunctive treatment of major depressive adult patients with a recommended doses of 1.5 and 3 mg/day based on previous successful Phase III clinical studies.

4.2. 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 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 in 2022 our US partner successfully registered cariprazine in Canada.

Recent Developments

USA

Based on the positive results of the clinical studies and all the necessary data reported, AbbVie submitted during the first quarter 2022 a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration for the expanded use of cariprazine as adjunctive therapy to antidepressants for the treatment of major depressive disorder (MDD) in adults. The Authority approved VRAYLAR® (cariprazine) in the above indication in mid December.

Canada

On 27 April 2022 Richter's partner, AbbVie announced that Health Canada approved VRAYLAR® (cariprazine) as monotherapy for the acute management of manic, mixed, and depressive episodes associated with bipolar I disorder in adults, as well as the treatment of schizophrenia in adults. First royalty proceeds were accounted for in respect of Canadian sales realised during the third quarter 2022.

Cariprazine market situation

WEU

Country	Launch	Reimbursed launch
Germany	Q2 2018	yes
UK	Q3 2018	yes
Finland	Q4 2018	yes
Sweden	Q4 2018	yes
Denmark	Q4 2018	yes
Netherlands	Q4 2018	yes
Italy	Q1 2019	yes
Ireland	Q3 2019	yes
Spain	Q3 2019	yes
Portugal	Q3 2019	yes
Belgium	Q1 2020	no*
Luxembourg	Q3 2020	yes
Austria	Q1 2021	no
Greece	Q3 2021	yes

CEE

Country	Launch	Reimbursed launch
Poland	Q1 2018	no*
Estonia	Q1 2018	no*
Slovenia	Q3 2018	yes
Hungary	Q4 2018	yes
Romania	Q4 2018	no
Bulgaria	Q1 2019	yes
Slovakia	Q1 2019	yes
Czech Republic	Q1 2019	yes
Latvia	Q2 2019	no*
Lithuania	Q1 2020	no
Croatia	Q4 2021	no

Europe – Countries outside the European region

Country	Launch	Reimbursed launch
Switzerland	Q4 2018	yes
Norway	Q2 2019	yes
Montenegro	Q1 2020	yes
Serbia	Q1 2020	no*

CIS

Country	Launch	Reimbursed launch
Russia	Q4 2019	yes
Moldavia	Q4 2019	no
Ukraine	Q1 2020	no
Belarus	Q1 2020	no
Georgia	Q1 2020	no
Kazakhstan	Q1 2020	no
Uzbekistan	Q1 2020	no
Azerbaijan	Q3 2020	no

Other markets

Country	Launch	Reimbursed launch
Singapore	Q2 2020	no
Thailand	Q2 2020	no
Jordan	Q3 2020	no
Israel	Q4 2020	no**
Saudi Arabia	Q1 2021	no
Egypt	Q2 2021	no
Australia	Q3 2021	yes
United Arab Emirates	Q4 2021	no
Qatar	Q4 2021	no
Indonesia	Q2 2022	no
Canada	Q3 2022	no
Malaysia	Q3 2021	no
Vietnam	Q4 2022	no

* Received reimbursement following the launch.
** Reimbursed in schizophrenia indication, reimbursement for bipolar mania and depression is in progress.

Altogether by the end of 2022 cariprazine was available in 51 countries globally including the USA and Hungary, with reimbursement in most countries where a reimbursement system is in place.

The most outstanding success for both Richter and the Hungarian pharmaceutical industry has been the successful research, product development and launch of cariprazine. The product achieved its blockbuster status already in 2020, reached membership of the top 100 pharmaceutical product list by sales in 2021, and with continued sales growth recorded in 2022 the reported turnover was USD 2.0bn in the US market. The total turnover of cariprazine in 2022 amounted to HUF 145,902m.

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 women's healthcare 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 Laboratories Inc., who acquired Duramed. Subsequent mergers and acquisitions did not interfere with our long-term partnerships, which over time have enabled our US organization to become a renowned Women's Healthcare API (Active Pharmaceutical Ingredient) supplier. In addition Richter is a supplier to Foundation Consumer Healthcare (previously a supplier to Teva) of its finished form emergency contraceptive products, PLAN B / PLAN B ONE-STEP. In the last couple of years Richter has started a collaboration with PRASCO, a generic company headquartered in the USA, and launched successfully in 2022 an estradiol containing vaginal cream for hormone replacement.

5.2. Portfolio Expansion

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

The Company has committed to the ambition to achieve within the next couple of years the number one position on women's healthcare segment in Europe. In this endeavour Richter is supported by the excellent progress made to date.

5.3. Geographic Coverage

With one of the broadest women's healthcare product portfolio worldwide Richter serves women's medical needs on all continents. To support the sales and distribution of its products Richter maintains an extensive specialized sales network across Western and Eastern Europe and all 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 are able to access 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, to make a responsible family planning decision. 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 several oral contraceptives of all generations, 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. With the recent launch of the most modern estrogen used in contraception we brought a new flagship into our portfolio.

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 May 2021 EMA granted MAA to the product and subsequently the product was launched at the end of the second quarter of that year in some of the important European markets. In the forthcoming period the product is expected to be launched in the other markets covered by the contract.

In 2022 sales reached HUF 6.290m. The cumulative number of cycles sold from launch-to date in Europe and Russia amounts to 1,463,607 with as many as 140,000 women using DROVELIS® currently.

In December 2020 Richter and Estetra S.A, the wholly owned subsidiary of Mithra 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 2022.

EVRA® Contraceptive Patch

In December 2020 as a further step to enhance its 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 most of the markets and the remaining ones are expected to take altogether a further six months. Product sales remained unaffected by the transaction during the entire period of the transfer.

Total turnover achieved by this product in 2022 including direct sales and royalty income amounted to HUF 28,759m. EVRA® is a true global brand being sold across all continents. The biggest EVRA® markets include Mexico, Brazil, Canada, Italy, Poland, UK, Spain and South Africa.

OC 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 15,591m during 2022 including Europe, Latin America, the CIS region and rest of the world.

Contraceptive Intrauterine Fevice (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 intuitive insertion device allowing for one handed insertion (SHI) has been underway. The product became available in the European markets from late 2021, and we are about to expand its geographic reach to Latin America.

Total turnover achieved by LEVOSERT® both two and single handed in 2022 amounted to HUF 2,858m.

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 ongoing 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 combination therapy)

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 a 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 that year.

Richter held negotiations with different Authorities in order to expand the availability of the product. Consequently RYEQO® has been launched in 24 European markets by the end of the year in review in the indication of uterine fibroid treatment.

Following the successful completion of phase III SPIRIT 2 and SPIRIT 1 studies in women with pain associated with endometriosis Richter submitted in October 2022 to the European Medicines Agency a Type II Variation application for RYEQO® for the treatment of endometriosis.

Sales of RYEQO® recorded during the year in review amounted to HUF 2,013m.

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 the 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 commercialization 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 emphasized 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. Since its launch in 2014 BEMFOLA® has been commercialized in more than 40 countries across the world.

Sales of BEMFOLA® recorded during 2022 amounted to HUF 21,627m.

CYCLOGEST®

The Fertility portfolio was further expanded in 2018 when Richter agreed with L.D. Collins & Co. Limited, a UK based company, to commercialize its progesterone containing assisted reproduction technology (ART) product, CYCLOGEST® in 27 EU member states. In 2019 the agreement was extended to Australia and New Zealand. Besides 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 reached most EU markets during 2020 and 2021. Its total sales recorded in 2022 was HUF 4,173m.

GANIRELIX GEDEON RICHTER

GANIRELIX Gedeon Richter is the latest addition to our growing portfolio in fertility, a GnRH antagonist that complements our product range used in assisted reproduction effectively. GANIRELIX Gedeon Richter is backed by clinical and real-world efficacy data with an established safety profile of over 20 years of experience with the molecule. The brand was designed to improve patient experience, delivered in pre-filled syringes with a fine 29-gauge needle, allowing for improved self-administration with less likelihood of pain and bleeding compared to alternatives. We offer two pack sizes, 1x and a unique 6x, providing healthcare professionals the ability to cater to individual patient needs. Further important unique selling proposition is that GANIRELIX Gedeon Richter is a latex free product.

Commercialisation of the brand commenced in Q3 2022 in Europe with the aim to cover all countries where BEMFOLA® is available. Sales of GANIRELIX Gedeon Richter reached HUF 195m in 2022.

AYOLA®

New delivery technologies are well received by lifestyle driven patient groups as younger generations require new, non-oral approaches to contraception. Digitalisation 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 (RVVC) 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.

VIVJOA® (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.

VIVJOA® is an orally available inhibitor of fungal CYP51 infection being developed by Mycovia for the treatment of RVVC and onychomycosis.

In April 2022 FDA has approved VIVJOA®, thus it become the first FDA-approved medication to reduce the incidence of RVVC on the USA market.

Richter has submitted in April 2022 to the EMA an application for registration of VIVJOA®, the assessment of which being currently ongoing.

Hormone Replacement Therapy

The menopause is a period of natural transition that every woman eventually experiences. The decline in estrogen production that characterizes 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, estrogen loss is closely associated with the development of osteoporosis and bone fractures. Richter aims towards maintaining women's health and quality of life over the long-term.

A study realized by Women's Health Initiative (WHI) back in 2001 has led to a significant decline in usage of hormonal replacement therapies resulting from a misinterpretation of the study's findings adding to a generalized resentment towards hormones. We see, however in the recent few years some positive signs of aging female population seeking solutions to improve their wellbeing and quality of life. One of the solutions is to supplement declining hormonal levels in the women's body. One of Richter's most recent license-in transactions aims to capitalize on this improving trend looking forward to be present on the potentially significant market of HRT usage.

DONESTA®, a novel menopause product licenced-in from Mithra

At the end of December 2022 Richter announced that it had entered into a binding Heads of Terms with Mithra for the commercialisation of DONESTA® in Europe, CIS countries, Latin America and Australia. The Agreement was finalized and signed in February 2023.

DONESTA® is Mithra's next generation orally-administrated estetrol (E4)-based hormone therapy product candidate offering a potential long-term solution for treating different symptoms of menopause. Early 2022, Mithra announced positive top-line efficacy results of its DONESTA® Phase III clinical trial, which demonstrated a meaningful reduction in vasomotor symptoms (VMS) from baseline and compared to placebo with all co-primary efficacy endpoints statistically met. Long term safety studies are ongoing with first marketing authorisations anticipated in 2025.

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.

LENZETTO® is a unique, innovative transdermal spray for menopausal hormone therapy containing 17β estradiol.

Turnover of LENZETTO® during 2022 amounted to HUF 5,875m.

VAGIRUX® / REWELLFEM® / FORMYRA®

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 from 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 since 2020 under the brand name VAGIRUX® / REWELLFEM® / FORMYRA®.

Turnover recorded in respect of this product in 2022 amounted to HUF 2,263m.

KLIMEDIX® / PAOSONELLE®

As part of its menopause portfolio, Gedeon Richter has been present with KLIMEDIX® / PAOSONELLE® since 2020 for the treatment of climacteric syndrome and prevention of osteoporosis in post-menopausal women. As an effective combined oral hormone replacement therapy (HRT) containing 2 mg drospirenone and 1 mg 17β-estradiol (as estradiol hemihydrate), KLIMEDIX® / PAOSONELLE® is essentially similar to the originator product ANGELIQ® and is approved on the basis of demonstrating bioequivalence to ANGELIQ®.

Turnover of KLIMEDIX® / PAOSONELLE® during 2022 amounted to HUF 398m.

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®, a topical sterile gel containing 4 percent lidocaine (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, treatment with LIDBREE® was associated with significant reduction of pain and discomfort in women undergoing gynaecological interventions without causing bothersome side effects. LIDBREE® provides a new possibility supporting women during painful and distressing gynaecological procedures.

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 decentralized registration procedure the product obtained national marketing approvals in all European target markets. First launches took place in Austria, Spain and Czech Republic in H1 2022 being followed by other countries from the EU region.

Turnover of LIDBREE® amounted to HUF 103m during the year in review.

PAPILOCARE®

PAPILOCARE® is a medical device to prevent and treat HPV dependent cervical lesions and contains 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 2022 in Central Eastern Europe and Austria amounted to HUF 1,115m. The registration process in Russia 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, and hence increase patient access to effective therapeutic biologics. 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 fields.

Global biosimilar sales are estimated to have exceeded USD 15bn, 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, with particularly strong growth expected in coming years.

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 Israel and Australia 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 of the product have grown steadily, and it has achieved global annual sales of over a 100 MEUR through GR and global partners. Total sales proceeds from teriparatide amounted to HUF 20,911m in 2022. Sales proceeds from Japan represented 18 percent of total sales achieved by the product. Despite increasing fierce competition, we do expect further growth in sales in 2023 with further gains in market shares in some countries 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 used for the treatment of osteoporosis and oncology. 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 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. In 2022 all phase I and phase III subject and patient recruitment has been completed successfully, the clinical programme is expected to be completed in 2024. In 2022 validation of manufacturing at commercial scale for both DS and DP is ongoing and will be completed in 2023.

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. Following technology transfer and scaleup its technology development

programme was close to completion in 2021, with validation of commercial scale DS and DP production started 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 2023, 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 (DS) 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. In 2022 a further fill and finish manufacturing line has been commissioned to increase drug product (DP) manufacturing capacities further.

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

In order to optimise capacities a number of contract development and manufacturing (CDMO) projects are ongoing with numerous partners for DS and DP production needs alike, further complementing our existing CDMO service provision from Richter-Helm Biologics.

7. Branded Generic and Traditional Products

7.1. Overview

Richter's business model is based on vertically integrated research, development, manufacturing and distribution activities, complemented by license agreements.

Around 34 percent of the Pharmaceuticals segment's revenue comes from this product group. The role of this strategic pillar is to ensure a critical mass of revenue for the Group and to maintain margin expectations.

7.2. Portfolio Expansion

During 2022, the Company's portfolio was strengthened with the following product launches (active ingredients are indicated)

Abiraterone – antitumor drugs

- bilastine – antihistamine
- lenalidomide – immunosuppressant
- safinamide - antiparkinson
- sitagliptine - diabetology
- sorafenibe – antitumor drugs
- sunitinibe – antitumor drugs
- telmisartan-Amlodipine – hypertonia
- vildagliptine – diabetology

In addition to product launches, the development of generic products continued in 2022. The Eastern European registrations for dabigatran and rivaroxaban was a key success, and in addition, a number of successes were achieved in the bioequivalence studies of the development activities for products targeting EU and CIS markets. Gedeon Richter Romania and Gedeon Richter Polska development and production subsidiaries continue to carry out almost all the Group's non-steroid generic development activities.

Significant improvements have been also achieved in some of the life-cycle management programs launched in the last 2 years (spironolactone, tolperisone, terbinafine, lamotrigine, paroxetine), and we expect to continue this systematic work to increase efficiency and competitiveness of the product portfolio.

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

While the global economy struggled to continue its recovery from the 2020 pandemic the Russian invasion of Ukraine in early 2022 and subsequent waves of Western sanctions imposed on the Russian energy sector resulted in rapidly rising inflation across most economies. In the light of a severe energy crisis Europe faced sharply increasing costs of living and hampered economic activity. Gas prices in Europe have increased more than four-fold since 2021. The war and sanctions imposed on Russian grain exports has also pushed up food prices on world markets. Recent easing following the Black Sea grain deal could not be effectively implemented in practice and is causing serious hardship for low-income households worldwide, and especially so in low-income countries.

The world economy is in a sharp slowdown which is expected to be long lasting, as noted in a study issued by experts of the World Bank in early 2023. Global growth expectations have declined to 1.7 percent in 2023 from 3.0 percent expected just half a year earlier. The deterioration is broad-based, and it impacts virtually all regions of the world. The setback to global prosperity experienced during 2022 is expected to likely persist over the medium -long run. Aside of contraction in GDP levels of emerging and developing countries, a stall in the three major engines of growth of world economy, notably USA, Europe and China where median income levels are expected to be also eroded significantly by inflation, currency depreciation and under-investment in people and the private sector. Total debt among emerging and developing countries is at a 50-year high, and the war has added major new costs. This leaves no room for fiscal support at a time when people are still suffering from COVID-related setbacks in health, education and nutrition.

In the year under review global inflation has been pushed higher by demand pressures, including those from the lag effects of earlier pandemic related support policies, supply shocks resulted from disruptions to both global supply chains and the availability of key commodities. In some countries, inflation has also been stimulated by large currency depreciations relative to the USD and EUR. Tightening labour market conditions also contributed to the overall weak economic environment. In response to the inflationary pressure, central banks around the world have been tightening policy faster than previously expected. Monetary policy tightening in advanced economies, a strong U.S. dollar, geopolitical tensions, and high inflation have together decreased risk appetite and led to widespread capital outflows across emerging and developing countries.

Based on preliminary data World Bank expects global economy to have grown 2.9 percent in 2022 sharply down from the 5.9 percent achieved a year before.

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 collection, industry professionals expect to uncover opportunities to achieve greater insights so as to make more informed and confident decisions.

2.2 Challenges

The pharma industry is facing a multitude of challenging trends. Global demand is growing rapidly, and the unprecedented need for COVID-19 vaccines and therapeutics placed additional pressure on the industry. The industry's ability to find innovative solutions to deliver COVID-19 vaccines while still meeting overall demand has been a remarkable achievement, but rising global demand remains a significant challenge for the industry in the long term.

The product landscape also is changing swiftly. New modalities, such as cell and gene therapy and mRNA vaccine technology, have increased from 11 to 21 percent of the drug development pipeline—the fastest growth ever seen in the sector. This change is likely to bring more fragmentation of technology, new supply chains, and unique product life cycles.

In addition to these industry-specific trends, pharma has also been affected by broader global trends, such as supply chain pressures. While the pharma industry is considered somewhat protected by its high inventory levels and long-standing dual sourcing, over a given ten-year period, the likelihood of supply chain disruptions remains significant. Inflation has risen in recent months to levels not seen for decades, leading to increasing costs for labour, raw materials, and transportation. This is over and above the persistent price pressures pharma is already facing, particularly in generics. Since pharma customers are not expected to fully absorb these cost increases, profit margins are under pressure.

Meanwhile, increased state interventions and protectionist trade policies are creating new pressures on manufacturing networks and could drive increased regionalization.

The pharma industry is also facing talent shortages linked to wider labour market trends, including the 20 percent increase in demand for STEM-related (Science, Technology, Engineering and Mathematics) roles across the life sciences industry in the United States. The current pool of pharma digital talent is at least 14 percent lower than demand, and many companies are finding it challenging to recruit technical talent. Compounding this challenge is the rise of remote working, which has increased employee expectations for flexibility. In response, nearly all pharma companies are experimenting with hybrid working models.

A few major positive trends point to an industry tailwind; one of them is the advancement of digital and analytics tools. Digital tools, robots, and sensors are becoming cheaper and easier to access, and they can be used to capture all manner of raw data. In addition, edge computing and cloud analytics are providing real-time optimization and transparency. Pharmaceutical companies are working to leverage the power of data to become more agile and resilient. However, to date, no pharma company has emerged as a true global leader in this field.

3. Consolidated Sales

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Hungary	46,624	44,377	2,247	5.1	118.4	123.7
Europe*	327,569	263,442	64,127	24.3	832.1	734.7
CEE	218,050	182,955	35,095	19.2	553.9	510.2
WEU	109,519	80,487	29,032	36.1	278.2	224.5
CIS	180,320	135,346	44,974	33.2	458.0	377.4
Russia	129,066	85,086	43,980	51.7	327.8	237.2
Ukraine	10,518	14,523	-4,005	-27.6	26.7	40.5
Other CIS	40,736	35,737	4,999	14.0	103.5	99.7
USA	162,148	122,991	39,157	31.8	411.9	343.0
China	21,712	15,593	6,119	39.2	55.2	43.5
Latin America	27,882	17,602	10,280	58.4	70.8	49.1
RoW	36,500	31,244	5,256	16.8	92.7	87.1
Total	802,755	630,595	172,160	27.3	2,039.1	1,758.5

* Excluding Hungary

4. Sales of Pharmaceutical Business Segment

Pharma sales	HUFm				Note	EURm	
	2022	2021	Change			2022	2021
	12 months to December			%		12 months to December	
Hungary	45,748	43,612	2,136	4.9	0	116.2	121.6
Europe*	193,668	151,673	41,995	27.7	7)	492.0	423.0
CEE	84,164	71,208	12,956	18.2		213.8	198.6
WEU	109,504	80,465	29,039	36.1		278.2	224.4
CIS	174,450	126,137	48,313	38.3	8)	443.1	351.7
Russia	129,066	85,086	43,980	51.7		327.8	237.2
Ukraine	10,441	14,447	-4,006	-27.7		26.5	40.3
Other CIS	34,943	26,604	8,339	31.3		88.8	74.2
USA	162,148	122,991	39,157	31.8	9)	411.9	343.0
China	21,712	15,593	6,119	39.2	10)	55.2	43.5
Latin America	22,138	13,799	8,339	60.4	11)	56.2	38.5
RoW	36,479	31,214	5,265	16.9	12)	92.6	87.0
Total	656,343	505,019	151,324	30.0		1,667.2	1,408.3

* Excluding Hungary

5. Notes to Pharmaceutical Sales

6) Hungary

The underlying market increased by 8.5 percent while retail sales of Richter products increased at a higher rate of 11.6 percent according to the latest available IQVIA (successor of IMS) data. The Company is now ranked fourth amongst players in the Hungarian pharmaceutical market with a market share of 4.6 percent. Taking into account the prescription drugs retail market alone, Richter qualifies for second place with a market share of 7.4 percent.

7) Europe

The **Central and Eastern European** region sales represented 43 percent of total European sales of the Group's pharmaceutical segment.

Turnover recorded in **Poland** increased by HUF 5,163m (PLN 42.7m), or 19.0 percent (12.3 percent) in 2022 and totalled HUF 32,324m (PLN 388.8m). Higher sales of EVRA®, which was launched directly by Richter in January 2022 together with turnover from DROVELIS® have contributed the most to the turnover achieved. As REAGILA® received reimbursed status in the last quarter 2021 Richter intensified its promotional efforts and proceeds of this product contributed substantially to the growth rate recorded in this market. Following a drop in sales of GROPRINOSIN in the second year of the pandemic, sales of this product gained momentum again in the reported year.

In **Romania** total sales were HUF 14,992m (RON 189.4m) in 2022. Sales growth of HUF 2,175m, 17.0 percent (RON 13.4m, 7.6 percent) resulted primarily from well-established branded generic products partly subsequent to a low base period performance. As a result of certain price modifications implemented at the beginning of March 2022 by the regulatory authority, substantial price increases could be recorded for some of our products.

Turnover in the **Western European** region increased substantially by HUF 29,039m or 36.1 percent (EUR 53.8m, 24.0 percent). Growth recorded in France, Spain, Italy and UK contributed the most to the sales level achieved in 2022. As far as the product portfolio is concerned increasing proceeds from TERROSA®, EVRA® and BEMFOLA® were complemented by turnover of recently launched DROVELIS® and RYEQO®. In addition, proceeds from contract manufacturing activities at Richter-Helm Biologics also contributed to the substantial growth reported in this region. WEU sales represented 57 percent of total European pharmaceutical turnover.

8) CIS

Sales to **Russia** at HUF 129,066m (RUB 22,407.3m) increased by 51.7 percent in HUF terms (8.0 percent in RUB terms). The RUB appreciated against the HUF on an average by 40.5 percent compared to 2021. Notwithstanding a volatile market environment presenting unforeseeable risks connected to the ongoing war and the subsequent sanctions imposed on Russia, business operations prevailed broadly at levels experienced prior to the pandemic.

In the first quarter 2022 an overall 23 percent price increase was implemented to our portfolio of non-EDL drugs. These price adjustments implemented at the end of the first quarter impacted turnover by 12.3 percent for the full year 2022. The slight decrease in volumes delivered in the last three quarters of 2022 were not reflected in retail sales given destocking by wholesalers.

In-market sales figures (IQVIA, data for the first eleven months) suggest that retail sales recorded in RUB terms by Richter products increased by 21.2 percent exceeding overall market growth at 15.4 percent in RUB terms primarily related to price increases implemented by manufacturers and distributors during the first quarter 2022.

Sales of originator products together with the performance of some local producers reported a significant increase during the reported year while most generic manufacturers recorded sales in line with Richter's performance when expressed in RUB terms.

Sales levels during 2022 at EUR 327.8m increased by EUR 90.6m when compared to the 2021 as the growth achieved in EUR terms was further boosted by a stronger EURRUB average exchange rate experienced during the reported year.

As a result of the uncertain financial environment Richter stopped direct sales to distributors from Hungary to Russia switching instead to sales via Gedeon Richter RUS, the Group's local manufacturing unit and warehouse. Shipments to GR-RUS are invoinced and settled in USD. To date we have not experienced any financial disruption to the timely payment of outstanding invoices.

Sales reported in **Ukraine** in 2022, at EUR 26.5m declined by 34.2 percent. These figures include sales realised up to late February, together with turnover achieved since mid April. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 35 of our products was initiated in early October on this legal basis. Richter plans to appeal against the decision. Practical implementation of the above measure had not taken place by the end of the reported year, so all of our registered products have been marketed throughout the year.

Sales to **Other CIS markets** reported a turnover of HUF 34,943m, representing a HUF 8,339m increase when compared to the sales performance achieved in 2021. Higher turnover was primarily recorded in Uzbekistan and Kazakhstan and Moldova. Weakening of EUR against USD during the reported period impacted unfavourably EUR denominated sales proceeds in certain markets of the region partly offsetting the achieved overall good turnover reported in this group of countries.

9) USA

Sales to the USA, our leading market in terms of revenue, increased by HUF 39,157m (31.8 percent) or USD 26.8m (6.6 percent). Royalty revenues linked to VRAYLAR® amounted to HUF 138,114m (USD 385.5m), a growth of 36.0 percent (18.2 percent in USD terms) when compared to 2021.

An increase in API sales also impacted positively our performance achieved.

10) China

As a result of our efforts to further strengthen our women's health presence in this region, we purchased the SHE Healthcare marketing company together with its paediatric portfolio and its proprietary online sales platform. Richter plans to take advantage of the latter in promoting its women's healthcare products. In addition,a marketing authorization was issued during the third quarter of 2022 concerning one of our fourth generation OCs containing drospirenone.

Sales growth of HUF 6,119m (39.2 percent) arose primarily from the higher sales of ESCAPELLE and PANANGIN together with turnover from BROMOCRIPTIN resulting from the uneven timing of shipments.

11) Latin America

Higher turnover was recorded in most countries of this region, out of which the performance of Mexico contributed primarily to the higher sales levels. As for the product portfolio, royalty proceeds and direct sales of EVRA® contributed the most to the turnover achieved.

12) Rest of the World

Higher sales levels of EVRA® and teriparatide contributed primarily to the sales growth achieved in 2022. Geographically, growth was driven by higher turnover recorded in Mongolia, Israel, Canada and Japan.

6. Background Information to Pharmaceutical Sales

by region in currencies of invoicing

	Currency (million)	2022	2021	Change %
		12 months to December		
Hungary	HUF	45,748	43,612	4.9
Europe*	EUR	492.0	423.0	16.3
CEE	EUR	213.8	198.6	7.7
WEU	EUR	278.2	224.4	24.0
CIS	EUR	443.1	351.7	26.0
	USD	464.4	415.3	11.8
Russia	RUB	22,407.3	20,752.6	8.0
Ukraine	EUR	26.5	40.3	-34.2
Other CIS	EUR	88.8	74.2	19.7
	USD	93.0	87.6	6.2
USA	USD	431.7	404.9	6.6
China	CNY	393.1	330.5	18.9
Latin America	USD	59.0	45.4	30.0
RoW	EUR	92.6	87.0	6.4
	USD	97.1	102.8	-5.5

* Excluding Hungary

to Top 10 markets

	HUFm				EURm	
	2022	202	Change		2022	2021
	12 months to			%	12 months to	
USA	162,148	122,991	39,157	31.8	411.9	343.0
Russia	129,066	85,086	43,980	51.7	327.8	237.2
Hungary	45,748	43,612	2,136	4.9	116.2	121.6
Poland	32,324	27,162	5,162	19.0	82.1	75.7
Germany	26,194	22,718	3,476	15.3	66.5	63.4
China	21,712	15,593	6,119	39.2	55.2	43.5
Spain	20,696	15,541	5,155	33.2	52.6	43.3
Romania	14,992	12,817	2,175	17.0	38.1	35.7
France	14,790	8,852	5,938	67.1	37.6	24.8
Italy	14,724	9,708	5,016	51.7	37.4	27.1
Total Top 10	482,394	364,080	118,314	32.5	1,225.4	1,015.3
Total Sales	656,343	505,019	151,324	30.0	1,667.2	1,408.3
Total Top 10 / Total Sales %					73.5	72.1

of Top 10 products

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to			%	12 months to	
VRAYLAR® / REAGILA® / cariprazine	146,537	106,581	39,956	37.5	372.2	297.2
Oral contraceptive	132,926	103,360	29,566	28.6	337.7	288.2
MYDETON / MYDOCALM	29,105	18,226	10,879	59.7	73.9	50.8
EVRA®	28,759	13,512	15,247	112.8	73.1	37.7
BEMFOLA®	21,627	19,629	1,998	10.2	54.9	54.7
TERROSA® / teriparatide	20,911	13,186	7,725	58.6	53.1	36.8
CAVINTON	18,730	16,860	1,870	11.1	47.6	47.0
PANANGIN	18,617	15,765	2,852	18.1	47.3	44.0
VEROSPIRO	18,071	15,805	2,266	14.3	45.9	44.1
AFLAMIN	14,438	11,507	2,931	25.5	36.7	32.1
Total Top 10	449,721	334,431	115,290	34.5	1,142.4	932.6
Total Sales	656,343	505,019	151,32	30.0	1,667.2	1,408.3
Total Top 10 / Total Sales %					68.5	66.2

7. Sales of Specialty Products

	HUFm				Notes	EURm	
	2022	2021	Change			2022	2021
	12 months to December			%		12 months to December	
cariprazine	145,902	106,176	39,726	37.4	0	370.6	296.1
VRAYLAR® royalty (USA)	138,114	101,569	36,545	36.0		350.8	283.2
VRAYLAR® royalty (CA)	43	0	43	n.a.		0.1	0.0
REAGILA®	7,745	4,607	3,138	68.1		19.7	12.9
WHC	235,982	170,314	65,668	38.6	2)	599.4	475.0
BEMFOLA®	21,627	19,629	1,998	10.2	3)	54.9	54.7
EVRA®	28,759	13,512	15,247	112.8	4)	73.1	37.7
OCs	132,926	103,360	29,566	28.6		337.7	288.2
teriparatide	20,911	13,186	7,725	58.6	5)	53.1	36.8
Total	402,795	289,676	113,119	39.1		1,023.1	807.9
Proportion to Pharma sales (%)	61.4	57.4					

8. Notes to Specialty Sales

1) Cariprazine – Central Nervous System

VRAYLAR® royalty income due to Richter in 2022 amounted to HUF 138,157m (USD 385.6m). This amount contributed materially to the sales levels achieved during the reported year. The figures above also include royalty income paid on AbbVie sales recorded in Canada during the third and fourth quarter 2022.

Proceeds from REAGILA® amounted to HUF 7,745m (EUR 19.7m) during the reported year.

Figures shown in the following table are actual figures except for royalty income recorded in the fourth quarter 2022 in respect of REAGILA®.

	Turnover (Royalties included)				
	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
USDm / VRAYLAR® (royalty (USA+CA)+API)*	109.9	107.7	86.3	83.4	95.2
EURm / REAGILA® (royalty+product sales)	6.2	4.3	4.9	4.3	4.2

* Forward exchange contracts and extreme volatility of USDHUF exchange rates materially distorted royalty amounts received in respect of VRAYLAR® translated at average exchange rates of the respective periods. With the purpose of avoiding such distortions we report royalty amounts payable by AbbVie to Richter at their nominal USD value. For comparison we have restated figures relative to previous periods accordingly.

2) Women's Healthcare – Core Business

WHC sales by region

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Hungary	5,086	4,740	346	7.3	12.9	13.2
Europe*	105,074	80,057	25,017	31.2	266.9	223.3
CEE	26,066	19,754	6,312	32.0	66.2	55.1
WEU	79,008	60,303	18,705	31.0	200.7	168.2
CIS	58,803	36,822	21,981	59.7	149.4	102.7
Russia	50,203	28,578	21,625	75.7	127.5	79.7
Ukraine	2,306	3,691	-1,385	-37.5	5.9	10.3
Other CIS	6,294	4,553	1,741	38.2	16.0	12.7
USA	15,954	11,542	4,412	38.2	40.5	32.2
China	15,736	12,365	3,371	27.3	40.0	34.5
Latin America	19,535	11,364	8,171	71.9	49.6	31.7
RoW	15,794	13,424	2,370	17.7	40.1	37.4
Total	235,982	170,314	65,668	38.6	599.4	475.0

* Excluding Hungary

WHC sales in 2022 exceeded levels recorded in the same period of the previous year by HUF 65,668m or 38.6 percent. Higher sales levels were recorded in all of our regions except for Ukraine.

Sales of the WHC product group increased due to turnover of oral contraceptives and the royalty and direct sales income received from EVRA®. DROVELIS® launched in the second quarter 2021 contributed primarily to sales growth achieved during the reported year. Turnover of emergency contraceptive Plan B and to a limited extent sales of certain steroid APIs further lifted US sales.

In line with our endeavour to bring innovative products to our Women's Health franchise and to expand the geographical reach of our highly competitive product portfolio the following products were launched in the fourth quarter 2022: GANIRELIX used in assisted reproductive technology (ART) among others in the Czech Republic, Slovakia and in the Baltic states, LIDBREE in Bulgaria and ESCAPELLE ODT (orally disintegrating tablets) in Croatia.

WHC sales by product groups

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Oral contraceptives	132,926	103,360	29,566	28.6	337.6	288.2
DROVELIS®	6,290	763	5,527	724.6	16.0	2.1
Non-oral contraceptives	32,877	16,262	16,615	102.2	83.6	45.4
EVRA®	28,759	13,512	15,247	112.8	73.1	37.7
Infertility	26,306	22,708	3,598	15.8	66.8	63.3
BEMFOLA®	21,627	19,629	1,998	10.2	54.9	54.7
CYCLOGEST®	4,173	2,774	1,399	50.4	10.6	7.7
Other WHC therapies	43,873	27,984	15,889	56.8	111.4	78.1
RYEQO®	2,013	296	1,717	580.1	5.1	0.8
LENZETTO®	5,875	3,587	2,288	63.8	14.9	10.0
Total	235,982	170,314	65,668	38.6	599.4	475.0

Proportion of WHC sales to total pharmaceutical turnover – by region

	%	
	2022	2021
	12 months to December	
Hungary	11.1	10.9
Europe*	54.2	52.8
CEE	31.0	27.7
WEU	72.1	75.0
CIS	33.7	29.2
USA	9.8	9.4
China	72.5	79.3
Latin America	88.3	82.3
RoW	43.3	43.0
Total	36.0	33.7

* Excluding Hungary

Western Europe Top 5 markets

	MEUR	
	2022	2021
	12 months to	
Germany	38.2	35.4
Spain	36.3	32.8
Italy	31.5	23.9
France	26.1	20.6
UK	23.4	17.2
Total Top 5 Sales	155.5	129.9
Total WEU Sales	200.7	168.2
Total Top 5 Sales %	77.5	77.2

3) BEMFOLA® – Women's Healthcare

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Hungary	772	739	33	4.5	2.0	2.1
Europe*	18,396	15,589	2,807	18.0	46.7	43.5
CEE	2,248	1,773	475	26.8	5.7	5.0
WEU	16,148	13,816	2,332	16.9	41.0	38.5
CIS	-7	268	-275	-102.6	0.0	0.7
Latin America	268	11	257	2,336.4	0.6	0.0
RoW	2,198	3,022	-824	-27.3	5.6	8.4
Total	21,627	19,629	1,998	10.2	54.9	54.7

* Excluding Hungary

The positive impact of the removal of previous restrictions related to the COVID-19 pandemic led to rebounding sales of BEMFOLA® on most markets partly offset by declining sales recorded in Australia. Turnover achieved by the product in 2022 amounted to HUF 21,627m, exceeding base figures by HUF 1,998m or 10.2 percent primarily due to proceeds from WEU region. Sales proceeds from South Korea also contributed to the higher turnover reported. Negative sales recorded in Ukraine were due to credit notes issued to wholesalers in respect of sales realised in the last quarter 2021. In EUR terms sales performance at EUR 54.9m reported for 2022 remained virtually unchanged when compared to the levels recorded in the previous year.

4) EVRA® – Women's Healthcare

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Hungary	27	6	21	350.0	0.1	0.0
Europe*	11,504	5,349	6,155	115.1	29.2	14.9
CEE	2,568	985	1,583	160.7	6.5	2.7
WEU	8,936	4,364	4,572	104.8	22.7	12.2
CIS	610	295	315	106.8	1.6	0.9
Latin America	10,904	4,410	6,494	147.3	27.7	12.3
RoW	5,714	3,452	2,262	65.5	14.5	9.6
Total	28,759	13,512	15,247	112.8	73.1	37.7

* Excluding Hungary

The asset purchase agreement concluded in January 2021 with Janssen Pharmaceutica NV and the complementary transitional business licence agreement provided for 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 EVRA® ranked 4th on our Top10 products list.

Direct sales of this product amounted to HUF 21,339m (EUR 54.2m) in 2022 while royalty income recorded by EVRA® totalled HUF 7,217m (EUR 18.3m) during the same year.

5) Teriparatide – biosimilar portfolio

Total sales proceeds from teriparatide amounted to HUF 20,911m (EUR 53.1m) in 2022. 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 Israeli market. Sales proceeds from Japan contributed HUF 3,809m representing 18 percent of total sales achieved by the product

9. Sales of Wholesale and Retail Business Segment

	HUFm				EURm	
	2022	2021	Change		2022	2021
	12 months to December			%	12 months to December	
Hungary	0	2	-2	-100.0	0.0	0.0
Europe*	141,044	118,209	22,835	19.3	358.3	329.6
CEE	141,044	118,209	22,835	19.3	358.3	329.6
CIS	6,594	11,104	-4,510	-40.6	16.7	31.0
Other CIS	6,594	11,104	-4,510	-40.6	16.7	31.0
Latin America	6,932	4,898	2,034	41.5	17.6	13.7
Total	154,570	134,213	20,357	15.2	392.6	374.3

* Excluding Hungary

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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	Audited	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**	**Audited**
P&L items (HUFm)										
Revenues	**656,343**	**505,019**	**154,570**	**134,213**	**9,717**	**7,150**	**(17,875)**		**802,755**	**630,595**
Cost of sales	(208,888)	(166,752)	(142,213)	(123,964)	(9,084)	(6,346)	17,894	15,740	(342,291)	(281,322)
Gross profit	447,455	338,267	12,357	10,249	633	804	19	(47)	460,464	349,273
Profit from	**152,085**	**135,047**	**(49)**	**465**	**144**	**386**	**1,375**	**(66)**	**153,555**	**135,832**
Net financial income	9,051	12,351	73	(527)	64	12	(3,230)	(4,203)	5,958	7,633
Miscellaneous										
Capital expenditure (HUFm)	71,165	142,460	104	595	310	262	-	(20)	71,579	143,297
Number of employees at the end of the year	10,767	10,751	1,031	1,100	369	411	-	-	12,167	12,262
Business metrics										
Gross margin	68.2	67.0	8.0	7.6	6.5	11.2	-	-	57.4	55.4
Operating margin	23.2	26.7	0.0	0.3	1.5	5.4	-	-	19.1	21.5

11. Consolidated Financial Review

Consolidated Balance Sheet – Assets

	31 December 2022 Audited HUFm	Notes	31 December 2021 Audited HUFm	Change %
ASSETS	1,340,289		1,145,282	17.0
Non-current assets	764,519	13)	732,660	4.3
Property, plant and equipment	315,949		278,394	13.5
Investment property	-		110	-100.0
Goodwill	35,101		35,005	0.3
Other intangible assets	196,714		220,915	-11.0
Investments in associates and joint ventures	9,281		10,800	-14.1
Non-current financial assets at amortised cost	20,801		5,335	289.9
Non-current financial assets at FVTPL	67,724		84,651	-20.0
Non-current financial assets at FVOCI	68,193		73,274	-6.9
Derivative financial instruments*	31,446		9,107	245.3
Deferred tax assets	15,878		12,285	29.2
Long term receivables	3,432		2,784	23.3
Current assets	575,770	14)	412,622	39.5
Inventories	153,335		131,349	16.7
Contract assets	6,150		3,865	59.1
Trade receivables	175,182		184,760	-5.2
Other current assets	41,120		30,474	34.9
Current financial assets at amortised cost	44,716		912	n.a.
Current financial assets at FVOCI	1,536		-	n.a.
Derivative financial instruments *	2,154		296	627.7
Current tax asset	4,844		1,110	336.4
Cash and cash equivalents	79,719		59,856	33.2
Assets classified as held for sale	67,014		-	n.a.

*The extension of the Group's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

Consolidated Balance Sheet – Equity and Liabilities

	31 December 2022 Audited HUFm	Notes	31 December 2021 Audited HUFm	Change %
EQUITY AND LIABILITIES	1,340,289		1,145,282	17.0
Capital and reserves	1,060,352	15)	923,022	14.9
Share capital	18,638		18,638	0.0
Treasury shares	(2,123)		(2,862)	-25.8
Share premium	15,214		15,214	0.0
Capital reserves	3,475		3,475	0.0
Foreign currency translation reserves	47,846		29,363	62.9
Revaluation reserves for financial assets at FVOCI	(339)		1,346	n.a.
Cash-flow hedge reserve	820		(23)	n.a.
Retained earnings	966,375		849,735	13.7
Non-controlling interest	10,446		8,136	28.4
Non-current liabilities	100,430		99,047	1.4
Deferred tax liability	3,928		3,798	3.4
Non-current financial liabilities at FVTPL	41,516		55,301	-24.9
Derivative financial instruments *	25,484		8,518	199.2
Lease liability	10,789		12,722	-15.2
Other non-current liabilities and accruals	13,634		12,830	6.3
Provisions	5,079		5,878	-13.6
Current liabilities	179,507	16)	123,213	45.7
Trade payables	46,092		79,638	-42.1
Contract liabilities	1,931		1,593	21.2
Current tax liabilities	3,848		2,722	41.4
Current financial liabilities at FVTPL	2,855		3,192	-10.6
Derivative financial instruments *	4,786		85	n.a.
Lease liability	4,437		4,595	-3.4
Other current liabilities and accruals	64,361		28,267	127.7
Provisions	2,153		3,121	-31.0
Liabilities directly associated with assets classified as held for sale	49,044		-	n.a.

*The extension of the Group's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

Consolidated Income Statement – HUF

	For the year ended 31 December			
	2022 Audited HUFm	Notes	2021 Audited HUFm	Change %
Revenues	802,755		630,595	27.3
Cost of sales	(342,291)		(281,322)	21.7
Gross profit	460,464	17)	349,273	31.8
Sales and marketing expenses	(147,487)	18)	(114,596)	28.7
Administration and general expenses	(34,863)	19)	(28,665)	21.6
Research and development expenses	(75,109)	20)	(61,005)	23.1
Other income	23,688	21)	12,998	82.2
Other expenses	(74,702)	21)	(22,491)	232.1
Reversal of impairment on financial and contract assets	1,564		318	391.8
Profit from operations	153,555	22)	135,832	13.0
Finance income	88,803		30,106	195.0
Finance costs	(82,845)		(22,473)	268.6
Net financial income	5,958	23)	7,633	-21.9
Share of profit of associates and joint ventures	6,150		3,110	97.7
Profit before income tax	165,663		146,575	13.0
Income and deferred tax	(2,155)	24)	(856)	151.8
Local business tax and innovation contribution	(6,253)		(4,539)	37.8
Profit for the year	157,255		141,180	11.4
Profit attributable to:				
Owners of the parent	155,581	25)	139,626	11.4
Non-controlling interest	1,674		1,554	7.7
Statement of comprehensive income				
Profit for the year	157,255		141,180	11.4
Actuarial gain on retirement defined benefit plans	1,131		631	79.2
Changes in the fair value of equity instruments at FVOCI	1,209		2,154	-43.9
Items that will not be reclassified to profit or loss (net of tax)	2,340		2,785	-16.0
Exchange differences arising on translation of subsidiaries	20,240		8,626	134.6
Exchange differences arising on translation of associates and joint ventures	(909)		(53)	n.a.
Fair value loss on cash-flow hedges	(8,432)		(23)	n.a.
Hedging gain reclassified to profit or loss	9,275		-	n.a.
Changes in fair value of debt instruments at FVOCI	(519)		(1,620)	-68.0
Items that may be subsequently reclassified to profit or loss (net of tax)	19,655		6,930	183.6
Other comprehensive income for the year	21,995		9,715	126.4
Total comprehensive income for the year	179,250		150,895	18.8
Attributable to:				
Owners of the parent	176,728		149,092	18.5
Non-controlling interest	2,522		1,803	39.9
Earnings per share (EPS)	**HUF**		**HUF**	**%**
Basic	835		751	11.2
Diluted	835		751	11.2

Consolidated Income Statement – EUR

	For the year ended 31 December		
	2022 Not Audited EURm	2021 Not Audited EURm	Change %
Revenues	2,039.1	1,758.5	16.0
Cost of sales	(869.5)	(784.5)	10.8
Gross profit	1,169.6	974.0	20.1
Sales and marketing expenses	(374.5)	(319.6)	17.2
Administration and general expenses	(88.6)	(79.9)	10.9
Research and development expenses	(190.8)	(170.1)	12.2
Other income	60.2	36.3	65.8
Other expenses	(189.8)	(62.8)	202.2
Reversal of impairment on financial and contract assets	4.0	0.9	344.4
Profit from operations	390.1	378.8	3.0
Finance income	225.5	84.0	168.5
Finance costs	(210.4)	(62.7)	235.6
Net financial income	15.1	21.3	-29.1
Share of profit of associates and joint ventures	15.6	8.7	79.3
Profit before income tax	420.8	408.8	2.9
Income and deferred tax	(5.5)	(2.4)	129.2
Local business tax and innovation contribution	(15.9)	(12.7)	25.2
Profit for the year	399.4	393.7	1.4
Profit attributable to:			
Owners of the parent	395.2	389.4	1.5
Non-controlling interest	4.2	4.3	-2.3
Average exchange rate (EURHUF)	393.68	358.59	9.8
Statement of comprehensive income			
Profit for the year	399.4	393.7	1.4
Actuarial gain on retirement defined benefit plans	2.9	1.8	61.1
Changes in the fair value of equity instruments at FVOCI	3.1	6.0	-48.3
Items that will not be reclassified to profit or loss (net of tax)	6.0	7.8	-23.1
Exchange differences arising on translation of subsidiaries	51.4	24.1	113.3
Exchange differences arising on translation of associates and joint ventures	(2.3)	(0.2)	n.a.
Fair value loss on cash-flow hedges	(21.4)	(0.1)	n.a.
Hedging gain reclassified to profit or loss	23.5	-	n.a.
Changes in fair value of debt instruments at FVOCI	(1.3)	(4.5)	-71.1
Items that may be subsequently reclassified to profit or loss (net of tax)	49.9	19.3	158.5
Other comprehensive income for the year	55.9	27.1	106.3
Total comprehensive income for the year	455.3	420.8	8.2
Attributable to:			
Owners of the parent	448.9	415.8	8.0
Non-controlling interest	6.4	5.0	28.0
Earnings per share (EPS)	**EUR**	**EUR**	**%**
Basic	2.12	2.09	1.4
Diluted	2.12	2.09	1.4

Consolidated Cash-flow Statement

	For the year ended 31 December 2022 Audited HUFm	Notes	2021 Audited HUFm
Operating activities			
Profit before income tax	165,663		146,575
Depreciation and amortisation	48,569		44,922
Non-cash items accounted through Consolidated Income	24,366		(1,425)
Net interest and dividend income	(6,979)		(3,568)
Changes in provision for defined benefit plans	(906)		(8)
Reclass of results on changes of property, plant and	(3,892)		(939)
Gain on disposal of subsidiaries	-		(1,391)
Impairment recognised on intangible assets and goodwill	19,861		2,591
Impairment of securities	297		-
Expense recognised in respect of equity-settled share-based	1,552		1,590
Movements in working capital			
Increase in trade and other receivables	(51,307)		(36,470)
Increase in inventories	(38,994)		(20,983)
Increase in payables and other liabilities	48,243		17,173
Interest paid	(7,256)		(27)
Income tax paid	(14,290)		(8,136)
Net cash flow from operating activities	184,927		139,904
Cash flow from investing activities			
Payments for property, plant and equipment	(59,231)	26)	(46,127)
Payments for intangible assets	(12,348)	26)	(97,170)
Proceeds from disposal of property, plant and equipment	2,807		1,857
Government grant received related to investments	-		693
Payments to acquire financial assets	(57,723)		(143,206)
Proceeds on sale or redemption on maturity of financial	13,523		30,998
Disbursement of loans net	(18,053)		(1,294)
Interest received	13,418		2,950
Dividend receives	43		9
Net cash outflow on acquisition of subsidiaries	(1,263)		-
Net cash inflow from disposal of subsidiaries	-		2,118
Net cash flow to investing activities	(118,827)		(249,172)
Cash flow from financing activities			
Purchase of treasury shares	(1,326)		(819)
Dividend paid	(42,146)		(42,140)
Principal elements of lease payments	(3,437)		(2,055)
Repayment of borrowings	(178,487)		(244,846)
Proceeds from borrowings	178,487		315,119
Net cash flow (to)/from financing activities	(46,909)		25,259
Net increase/(decrease) in cash and cash equivalents	19,191		(84,009)
Cash and cash equivalents at beginning of year	59,856		142,068
Effect of foreign exchange rate changes on the balances held	1,632		1,603
Cash and cash equivalents at end of year*	80,679		59,662

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

12. Notes to Consolidated Financial Review

Subsequent to the sale of Romanian Wholesale and retail companies of the Group, all related balance sheet items have been reclassified as Assets classified as held for sale or Liabilities directly associated with assets classified as held for sale.

13) Non-current assets

Higher levels of Property, plant and equipment resulted from various CAPEX programmes carried out at the group during the reported year.

The level of Other intangible assets decreased primarily in relation to impairment losses detailed below at Note 21. amounting altogether to HUF 19,862m.

Non-current financial assets at amortised costs reflect a long term USD deposit amounting to USD 30m, which was realised by the Parent.

Lower levels of Non-current financial assets at fair value through profit or loss (FVTPL) and Non-current financial assets at fair value through other comprehensive income (FVOCI) amounting altogether to HUF 22.0bn reflect the impact of changes in fair value.

In order to follow reporting best practice with effect from fourth quarter 2022 we report separately from Non-current financial assets at fair value through profit or loss (FVTPL) the amount related to Derivative financial instruments.

14) Current assets

Higher Inventories were built up during 2022 at a number of subsidiaries of the Group in order to reduce supply related risks. Appreciation of the RUB also inflated this figure. In addition to the above higher inventories were built up at the Parent linked to recent product launches (EVRA®, DROVELIS®, RYEQO®) together with higher stocks of intermediate and finished products, raw and packaging materials to prevent disruptions in the distribution chains anticipated to happen in the coming periods.

The level of Trade receivables decreased during the reported year as a result of reclassification of trade receivables at Romanian wholesale and retail companies of the Group as Assets classified as held for sale.

15) Capital and reserves

Foreign currency translation reserves increased by HUF 18,483m and amounted to HUF 47,846m primarily due to the volatile exchange rate environment.

Retained earnings amounted to HUF 966,375m and increased by HUF 116,640m. The increase was due to profits realized during the reported year.

16) Current liabilities

Subsequent to the sale of Romanian Wholesale and retail business of the Group the relevant amount of Trade payables has been reclassified as Liabilities directly associated with assets classified as held for sale.

The level of both Current and Non-current financial liabilities at fair value through profit or loss (FVTPL) decreased primarily by changes in the fair value of Richter bonds. In order to follow reporting best practice with effect from fourth quarter 2022 we report among liabilities, separately from both Current and Non-

current financial liabilities at fair value through profit or loss (FVTPL) the amount relating to derivative financial instruments.

The level of both long and short term Derivative financial instruments increased during the reported year as a result of interest swap transactions at fair value and FX translations.

Levels of Other current liabilities and accruals have increased during the reported year. This item includes the extraordinary tax levied on pharmaceutical industry in respect of 2022, which amounts to HUF 27,860m.

Exchange rate impact on main consolidated P&L items

As a result of an extraordinary FX environment which prevailed during most of the reported period our business has been significantly impacted by exchange rate gains. We have, consequently decided to highlight the level of such FX related gains at individual P&L items. As the basis for the calculations is that which is used in our internal management accounting, the below figures should be perceived as approximate amounts.

HUFbn	2022 M12
Sales	**104.6**
Gross profit	**69.1**
Operating profit	**44.4**

17) Gross profit and margin

Gross profit was positively impacted by

- the extraordinary FX environment. Based on internal management accounting estimates this affected positively the gross profit by approximately HUF 70bn.
- a significant year-on-year increase (HUF 36,588m) in royalties received from the sales of VRAYLAR® in the USA and Canada. Approximately half of this amount reflects the impact of USDHUF exchange rate changes,
- the increase of turnover proceeds from certain traditional and WHC products, the latter including oral contraceptives and BEMFOLA®. Recent product launches of DROVELIS® and RYEQO® also contributed to the gross profit expansion.

while it was negatively impacted by

- increased production overhead costs. The latter prevailed only to a limited extent as these items feed through into cost of goods sold gradually over time.

Gross profit was also positively impacted by a higher amount of royalties received and direct sales proceeds from EVRA®, (+HUF 15,247m altogether), while gross margin was impacted slightly negatively.

Amortisation of acquired portfolio

Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 4,140m, nearly similar to the figure incurred in the base year.

Amortization of BEMFOLA® amounted to HUF 2,080m, and we accounted for HUF 4,037m in respect of EVRA® on the same grounds during the reported period.

Gross margin

57.4%	55.4%

Gross margin increased during the reported period when compared to that achieved in 2021 as a result of the previously detailed items. This increase was also a consequence of the higher turnover in the core Pharmaceutical segment, which exceeded the sales growth reported by the lower margin Wholesale and retail business.

18) Sales and marketing expenses

Proportion to sales:

18.4%	18.2%

The proportion of Sales and marketing expenses to sales slightly increased during the reported period. The monetary amount of these items increased primarily in our European, Russian and Latin American operations while in the base period promotional activities were partly restricted by COVID-19 pandemic related measures in most of the regions where direct marketing activities are carried out by Richter. FX changes prevailing in the reported period inflated these costs by approximately HUF 17.6bn.

Registration fee for medical representatives

The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 139m in 2022. In accordance with the regulations, tax payable in 2022 on this ground can be offset by 90 percent of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field. Given the high amounts directed to this activity Richter is practically exempted from the payment of this extraordinary tax from the second quarter of each year.

19) Administrative and general expenses

These expenses were impacted by FX volatility experienced during the year under review by approximately 40 percent. In addition higher consultancy fees and to a limited extent inflationary pressure also boosted these costs.

20) Research and development expenses

Proportion to sales:

9.4%	9.7%

R&D expenses were also impacted by FX changes experienced during 2022 by approximately 30 percent. Higher costs were incurred 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.

21) Other income and Other expenses

Claw-back

Other income and Other expenses include in 2022 liabilities amounting to HUF 7,249m in respect of the claw-back regimes. Such claw-backs increased primarily in the UK, France and Romania.

One-off items

Milestone income totalled HUF 10,623m during 2022, including HUF 10,530m (USD 30.0m) received from AbbVie in respect of the collaboration established between the two companies in March 2022 covering the field of neuropsychiatric diseases, the acceptance by the FDA for review of the sNDA request related to the aMDD indication of cariprazine and the marketing authorization thereof received in December 2022.

During the base period a total milestone income of HUF 3,072m was accounted for as cariprazine was included for the schizophrenia indication to the Pharmaceutical Benefits Scheme (PBS) in Australia, in respect of tocilizumab under development licensed-out to Mochida and licensing-out of denosumab under development to Hikma.

Extraordinary tax levied on the industry in late December 2022 amounts to HUF 27,860m.

Subsequent to the review of previously established co-operations and development programmes an impairment loss was accounted for in respect of three R&D programmes. In addition to the above an impairment on Goodwill of our Mexican joint venture was accounted for. Total amount of the above impairment losses was HUF 20,068m. Impairment losses accounted for in the base year amounted altogether to HUF 2,485m.

Impairment of stocks was also accounted for in respect of the terminated programmes mentioned above amounting altogether to HUF 4,458m.

20 percent tax obligation payable

In 2022 an expense of HUF 478m was paid to settle the 20 percent tax obligation on turnover related to reimbursed sales in Hungary. In accordance with the regulations this type of tax can be offset by 90 percent of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field.

22) Profit from operations, operating margin and EBITDA

Reported Profit from operations increased during 2022 due to favourable exchange rates when compared to 2021. The positive impact of the extraordinary FX environment amounted to approximately HUF 44.4bn at EBIT level while one-off milestones received during the reported period exceeded their base period value by HUF 6.5bn clean of FX impacts.

Operating margin

19.1%	21.5%

EBITDA

HUF 196,480m	HUF 176,123m

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.

23) Net financial income

	HUFm			EURm		
	2022	2021	Change	2022	2021	Change
	12 months to December			12 months to December		
Unrealised financial items	(17,887)	4,403	-22,290	(45.5)	12.3	-57.8
Exchange (loss)/gain on trade receivables and trade payables	(16,740)	3,911	-20,651	(42.5)	10.9	-53.4
Gain on foreign currency loans receivable	3,842	984	2,858	9.8	2.7	7.1
Gain on foreign currency securities	1,391	2,374	-983	3.5	6.6	-3.1
Foreign exchange difference of other financial assets and liabilities	(780)	(18)	-762	(1.9)	(0.1)	-1.8
Unwinding of discounted value related to contingent-deferred purchase price liabilities	(37)	-	-37	(0.2)	-	-0.2
Result of unrealised forward exchange contracts	10	195	-185	0.0	0.6	-0.6
Interest expenses related to IFRS 16 standard	(774)	(636)	-138	(2.0)	(1.8)	-0.2
Foreign exchange difference related to IFRS 16 standard	(85)	(109)	24	(0.2)	(0.3)	0.1
Unrealised fair value difference on financial instruments	(4,417)	(1,540)	-2,877	(11.2)	(4.2)	-7.0
Impairment loss on investments	-	(758)	758	-	(2.1)	2.1
Impairment of securities	(297)	-	-297	(0.8)	-	-0.8
Realised financial items	23,845	3,230	20,615	60.6	9.0	51.6
Loss on forward exchange contracts	(6,380)	-	-6,380	(16.2)	-	-16.2
Exchange gain realised on trade receivables and trade payables	24,636	2,240	22,396	62.6	6.3	56.3
Foreign exchange difference on conversion of cash	1,651	(1,980)	3,631	4.1	(5.5)	9.6
Dividend income	43	9	34	0.1	0.0	0.1
Interest income	13,418	2,950	10,468	34.1	8.2	25.9
Interest expense	(7,256)	(27)	-7,229	(18.4)	(0.1)	-18.3
Loss of cash-flow hedge (reclassification from OCI)	(95)	-	-95	(0.2)	-	-0.2
Result of sale of equity instruments	(3,112)	-	-3,112	(7.9)	-	-7.9
Other financial items	940	38	902	2.4	0.1	2.3
Net financial income	**5,958**	**7,633**	**-1,675**	**15.1**	**21.3**	**-6.2**

The key factor behind the volatility of unrealised financial items has been the revaluation of USD denominated trade receivables from our Russian subsidiary as in 2022 approximately 70 percent of sales volume was invoiced in US dollar instead of RUB. The fact that the functional currencies of the two entities are different resulted in a negative impact at the consolidated level in both the parent company and the subsidiary due to the exchange rate movements in fourth quarter 2022 (USD weakened against HUF and strengthened against RUB).

Hedging policy

As the FX composition of Group revenues and expenditures significantly differ, operating profit is exposed to fluctuations in several currencies. The management of foreign exchange risk is based on a strategy approved by the Board of Directors. The Finance 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 and we regularly used derivatives to manage FX risk through the year.

In the fourth quarter 2022, regarding the USD revenues, the Group maintains a rolling open hedging transaction for six quarters (2023 Q1 - 2024 Q2), thus on 31 December, 2022, there was an open forward stock of USD 241m under USDHUF hedge accounting.

Due to the current situation in the RUB foreign exchange market and to the fact that approximately 70 percent of sales volume was invoiced in USD instead of RUB, we discontinued our hedge operations in ruble foreign exchange exposure at the parent company level. Meanwhile we started hedging USD denominated trade receivables against HUF, and working with our banking partners on a new subsidiary level hedging strategy by using derivatives and a loan facility.

In addition the open „held for trading" foreign currency forwards were USD 11.6m and EUR 3.4m.

24) Income and deferred tax

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

In 2022 the Group reported HUF 2,155m tax expense, which resulted from a HUF 5,431m corporate tax expense and a HUF 2m extraordinary tax income and a HUF 3.274m deferred tax income.

25) Net income margin attributable to owners of the parent

19.4 %	22.1%

26) Capital expenditure

Capital expenditure for the Group including payments for intangible assets (HUF 12,348m) totalled HUF 71,579m in 2022 when compared to HUF 143,297m reported for the same period 2021. Figure in the base period includes the settlement of the acquisition of intangible asset EVRA contraceptive patch in the amount of HUF 76,721m.

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') - hereinafter referred to as: Defendants - 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 court set the trial date for 6 September 2022. However, in May 2022 Richter Gedeon Plc and the Defendants entered into a settlement as a result of which the patent infringement proceedings were terminated.

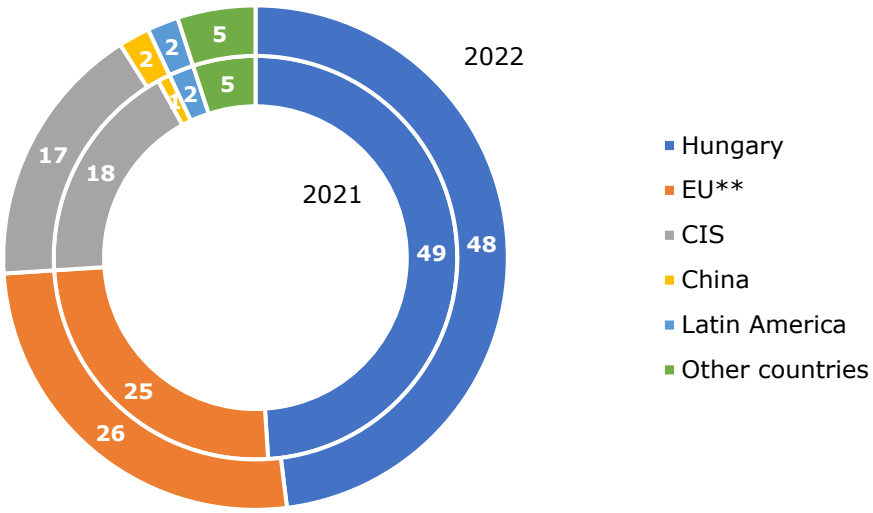
VII. Human resources

1. Employees

2022 was a year of steadily rising inflation and rising utility prices, which put a significant burden on our colleagues. Like other employers, Richter had to review how it can provide financial and mental support to its employees during this difficult time.

In 2022 the ratio of employees working in their home office peaked at 20 percent since the outbreak of the pandemic and hybrid work has become commonplace for office workers. We appreciate the individual talents, expertise and skills of our more than 12,000 employees globally, contributing to the group's success in more than 35 countries around the World. Our aim is to match the expertise and skills of our employees to the Company's long-term strategy and to support Richter in developing an effective and competent organization that meets the business objectives.

**Employee Structure by Region in 2021-2022*
(%)**



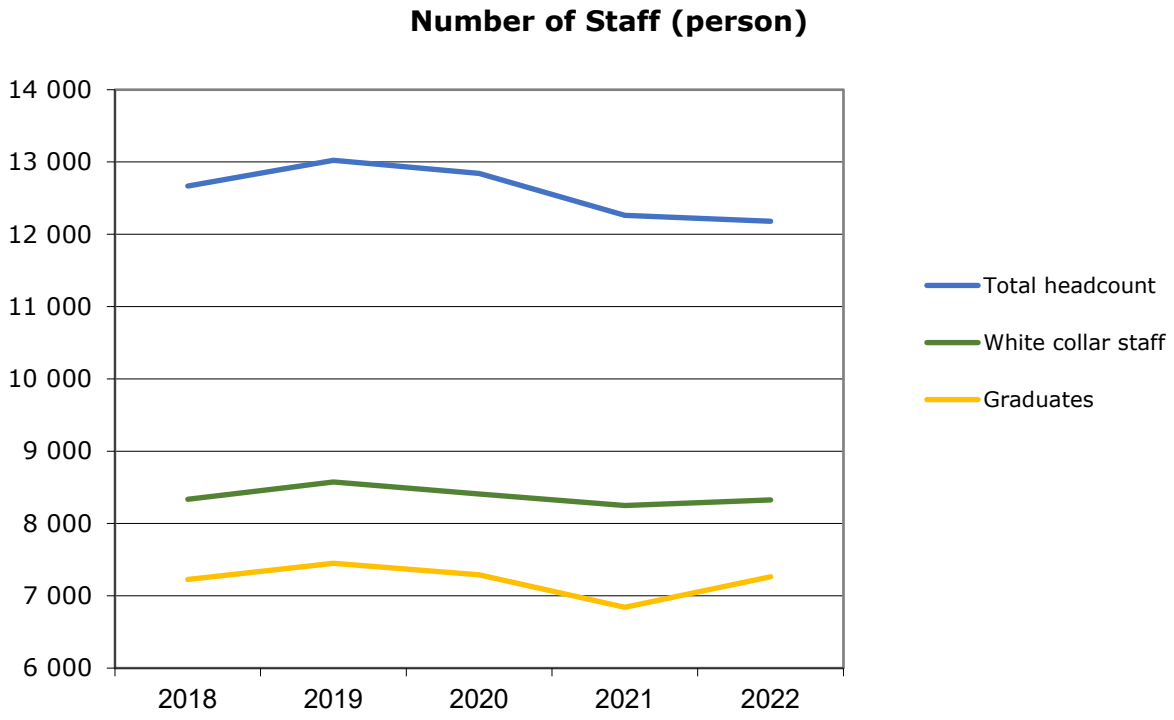
* As at 31 December 2021 and 31 December 2022.
** Excluding Hungary.

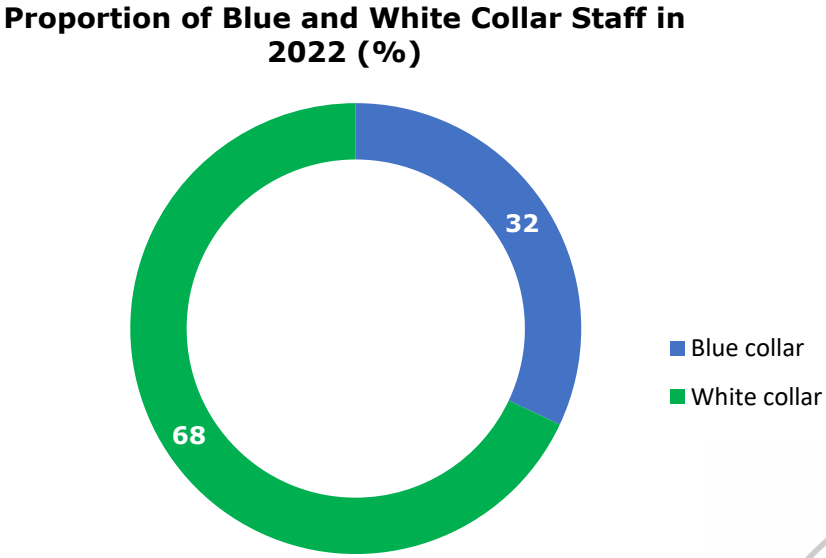
The success of Richter is defined by people who embrace a shared sense of purpose, who are results-oriented, and who contribute with their added energy and enthusiasm to achieve the tasks set. This kind of dedication is more than evident at Richter. Based on mutual respect, we firmly believe that with a caring and recognition-based organizational culture, a company is capable of outstanding performance by monitoring the development and retention of its employees.

1.1. Number of Employees

The total headcount for the Group was 12,180 at the end of 2022, a minimal (82 people) decrease when compared to 2021.

The number of skilled employees at the Group increased by 6.2 percent to 7,263 at the end of 2022, from 6,841 reported in 2021. Graduate educated personnel represented 83 percent of white-collar staff and 59.6 percent of the total number of employees at the Group.





2. Leadership Team

Executive Board

Gábor Orbán

skills and experience	Studied at Budapest University of Economic Sciences and also in the USA Began his professional career as an economist at the National Bank of Hungary and the European Central Bank later joined Aegon Asset Management as a fund manager and Head of the fixed income desk Served as the State Secretary in charge of taxation and finances at the Ministry for National Economy for two and half years From September 2015 worked as a consultant at Banque Rothschild
qualifications	Economist
other appointments	From September 2016 Richter's Director of Corporate Strategy From January 1, 2017 Chief Operating Officer Since April 2017 Member of the Company's Board of Directors, Member of the ESG Subcommittee of the Board of Directors
appointed	Since November 1, 2017 Chief Executive Officer of the Company
nationality	Hungarian
year of birth	1979

Dr István Greiner

skills and experience	Since 1984 working at Gedeon a Richter Plc, initially as a research chemical engineer In 1993 obtained a PhD degree Head of Chemical R&D Between 1996 and 1999 Head of the Patent Department From 2001 appointed Deputy Research Director From 2006 also responsible for outlining of the biotechnological activity of the Company
qualifications	Chemical engineer Qualified patent attorney Candidate of chemical sciences obtained an MBA degree with Open University, UK
other appointments	2001 Budapest University of Technology Faculty of Chemical Engineering - Géza Zempléni Award 2003 Hungarian Patent Office - Jedlik Ányos Award 2006 Knight of Cross from the Order of Merit of the Hungarian Republic Member of the Hungarian Accreditation Committee

	For several years, was the vice-president of the Hungarian Industrial Rights Protection and Copyright Association General Vice president of the Hungarian Innovation Association For several years was Vice-president of the Association of the Hungarian Chemists
appointed	2014-2022 Research director From 2022 Research and development director
nationality	Hungarian
year of birth	1960

István Hamecz

skills and experience	Graduated from the Károly Marx University of Economic Sciences in 1991 Started his career as a fellow researcher at the Institute of Economic Policy and Planning of the Ministry of Finance From 1992 became a scientific associate of the Institute of Economics of the Hungarian Academy of Sciences. From 1994 was a senior economist at the Hungarian National Bank (MNB) From 1996 Deputy head of Economic and Research Department From 2001 Head of the Economic and Research Department Gained international experience as a representative of the MNB in the European System of Central Bank's Monetary Policy Committee, in the European Union's Economic and Financial Committee, at the OECD and the World Bank Between 2007 and 2013, was the President and CEO of OTP Fund Management Between 2013 and 2016 managing director responsible for Russia and Ukraine at OTP Bank Plc Since 2020 Chief Financial Officer at Gedeon Richter Gedeon Plc.
qualifications	Economist further specialty studies at Oxford University, George Washington University, University of Rochester, Bank of London, IMF and Management Center Europe.
other appointments	From 2008 to 2012 was a member of the Board of Directors of OTP Bank Russia and then Chairman of its Board of Directors. Representative delegated by MNB to the Economic and Financial Committee of the European Union and to the European System of Central Bank's Monetary Policy Committee. Since April 12, 2022 Member of the Board of Directors pf Gedeon Richter Plc
appointed	Since 2022 Chief Financial Officer, Deputy CEO
nationality	Hungarian
year of birth	1967

Tibor Horváth

skills and experience	Joined Richter in 1999 as a market analyst licensing manager
qualifications	Has an MSc in Biology and Chemistry International Commerce 2003 an MBA in Marketing at Case Western Reserve University
other appointments	From May 2005 to 2017 Managing Director of Richter's German subsidiary Gedeon Richter Pharma GmbH
appointed	Since August 2017 Commercial Director
nationality	Hungarian
year of birth	1974

Katalin Erdei

skills and experience	Graduated at the University of Szeged Faculty of Arts Gained 18 years of experience in the field of human resource management Between 1996 and 2000 EDF DÉMÁSZ interpreter Between 2001 and May 2008. HR specialista t Győri Keksz Kft (Danone, Kraft) Between May 2008 and April 2012 HR specialist (recruitment, training and development) then responsible for compensation and benefits at Ferrero Between april 2012 and August 2015 HR Manager at Wrigley Hungary Ltd. From 2015 she worked as a regional HR Manager at the European headquarters of Mars Inc, in Germany. From April 2018 Deputy head of HR at Gedeon Richter Plc Since January 2019 HR Officer
qualifications	Bachelor of Arts degree Foreing Trade
other appointments	From 2012 member of the Management Board at Mars' Hungarian subsidiary Since 2018 she has driven the global HR agenda of Richter
appointed	Since January 2019 HR Director
nationality	Hungarian
year of birth	1974

Attila Szénási

skills and experience	From July 2008 to July 2010 Chemical engineer at Lexrom Group From August 1. 2010 to December 2011 supervising manufacturing also performing global tasks at Unilever From December 2011 to December 2018 head of department, plant manager From January 2019 head of manufacturing related department at Gedeon Richter Gedeon Plc

	responsible for the manufacturing at Budapest and three other finished form plants Experienced executive manager with a proven track record in manufacturing at sterile pharmaceutical sites, capable of managing multiple tasks and priorities, analyzing complex problems and making appropriate proposals to problem solving, taking decisionas supported by data High-level exploitation specialist with a strong technical background
qualifications	Chemical engineer degree in organization management
other appointments	
appointed	Since July 2019 Director of pharmaceutical manufacturing at Richter
nationality	Hungarian
year of birth	1984

Tamás Szolyák

skills and experience	In 1992 began his career as a medical representative For 21 worked for Novartis and its predecessor companies responsible for sales and marketing activities Between 2007 and 2013 President of AIPM (Association of Innovative Pharmaceutical Manufacturers) In 2013 developed various healthcare projects
qualifications	Graduated as pharmacist at Semmelweis University
other appointments	Between 2007 and 2013 General Manager of a Hungarian affiliate In 2015 joined OGYÉI (Hungarian National Institute of Pharmacy and Nutrition) as Manager of Regulatory Affairs
appointed:	Since September 2018 responsible for regulatory and patient safety affairs as Regulatory Science Director of the Company
nationality	Hungarian
year of birth	1966

3. Remuneration System

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

To make the positions organisational structure and related employee positions transparent and to make it possible for employees to be able to plan a more conscious professional career, Richter launched the a 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. These 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.

3.1. Remuneration Policy

The purpose of the Remuneration Policy is to provide an appropriate reward structure for the Company's 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 undertaking risks beyond the Company's limit of exposure, 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.

Increasing the Company's economic performance is supported by the development of a remuneration system that provides transparent and predictable remuneration, in line with the company's business strategy, to executives falling within the scope of the Remuneration Policy.

Equitable and consistent remuneration based on performance and coordinated with business goals, Company sustainability and the interests and values of employees is fundamental to enhancing commitment to the Company and performance of executives falling within the scope of the Remuneration Policy with appropriate motivation and incentive.

Remuneration of members of the Board of Directors

Members of the Board of Directors receive a fixed monthly remuneration for serving on the Board. Members of the Board of Directors shall receive no remuneration in this capacity that comprises variable components or performance-based remuneration.

After deliberating proposal from the Remuneration Subcommittee, the Board of Directors shall submit to the Annual General Meeting a 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 taking into consideration the Company's financial performance in the previous year and the basic wage increase of employees envisioned for the current year.

The monthly remuneration of the chairman of the Board of Directors shall be higher than that of the members of the Board of Directors.

If in consideration of the Company's performance in the previous business year a significant shareholder of the Company makes a proposal for a bonus to be paid to members of the Board of Directors in addition to their regular remuneration, the Board of Directors shall submit such proposal to the Annual General Meeting under the agenda item on the remuneration of the members of the Board of Directors. The proposed bonus may only be a one-off fixed amount remuneration.

Members of the Board of Directors discharge their duties under an agency agreement. The legal relationship of the members of the Board of Directors to the Company shall cover the fixed term set out in the AGM resolution on their appointment. The legal relationship as members of the Board of Directors is created upon acceptance of the appointment. Termination of the legal relationship, including specifically the cases and conditions for termination, are governed by the provisions of Book Three, Part Three of the Civil Code (Act V of 2013). After the termination of their legal relationship as members of the Board of Directors, the former Directors shall not be entitled to any payment in regard of their former directorship. Given the nature of the legal relationship, serving on the Board of Directors in itself shall not entitle the member to

a pension, a supplementary pension or an early retirement benefit paid by the Company or any of its subsidiaries.

The remuneration of members of the Board of Directors established by resolution shall be in the public domain.

Remuneration of members of the Supervisory Board

Members of the Supervisory Board receive a fixed monthly remuneration for serving on the Supervisory Board. Members of the Supervisory Board shall receive no remuneration in this capacity that comprises variable components or performance-based remuneration.

After deliberating a proposal from the Remuneration Subcommittee, the Board of Directors shall submit to the Annual General Meeting a 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 taking into account the Company's financial performance in the previous year and the basic wage increase of employees envisioned for the current year.

The monthly remuneration of the chairman of the Supervisory Board shall be higher than that of the members of the Supervisory Board.

Members of the Supervisory Boards discharge their duties under an agency agreement. The legal relationship of the members of the Supervisory Board to the Company shall cover the fixed term set out in the AGM resolution on their appointment. The legal relationship as members of the Supervisory Board is created upon acceptance of the appointment. Termination of the legal relationship, including specifically the cases and conditions for termination, are governed by the provisions of Book Three, Part Three of the Civil Code (Act V of 2013). After the termination of their legal relationship as members of the Board of Directors, the former Supervisory Board members shall not be entitled to any payment in regard of their former membership. Given the nature of the legal relationship, serving on the Supervisory Board in itself shall not entitle the member to a pension, a supplementary pension or an early retirement benefit paid by the Company or any of its subsidiaries.

The remuneration of members of the Supervisory Board established by resolution shall be in the public domain.

Members of the Audit Committee comprising three independent members of the Supervisory Board shall not receive special remuneration for serving on the Audit Committee.

Elements of remuneration of Directors employed by the Company:

Remuneration based on employment may include the following elements:

Fixed elements of remuneration (i.e. elements not linked to performance):

- Basic wage
- Honorarium
- Fringe benefits
    - Employees' cafeteria benefits
    - Company vehicle and fuel card
    - Life and accident insurance
    - Corporate health insurance and complex health screening
    - Other fringe benefits, e.g. school-start subsidy, Christmas gift package
- Remuneration from subsidiaries
- Contribution to voluntary pension scheme
- Other, e.g. inventor's royalty, long service recognition award

Variable elements of remuneration (i.e. elements linked to performance):

- Awarded in respect of each year:
    - Bonus
    - Extraordinary premium
    - Other premium
- Long-term (multi-year):
    - Remuneration through the Employee Participation Program (EPP)
- Other, e.g. Program related to employee share awards
- Extraordinary items

Fixed elements not linked to performance:

Basic salary:

The basic salary is fixed remuneration reflecting mainly the job, position, responsibility and experience within the organisation ensuring that the Company attracts and retains the best professionals taking into consideration the remuneration offered by potential competitors in the labour market. The decision on the chief executive officer's basic salary and any annual increase is made by the Board of Directors of the Company, taking into account that employer's rights over the chief executive officer are exercised by the Company's Board of Directors.

Honorarium:

Fixed remuneration, paid monthly to the Board of Directors, the Supervisory Board and, where subcommittee members are remunerated, to subcommittee members. Proposals for decisions on the amount of the honoraria to be paid to members of the Board of Directors each month in a given financial year are submitted by the Board of Directors to the Annual General Meeting of the Company after having

received and discussed a proposal from the Remuneration Subcommittee. The amount of the honoraria is proposed by the Board of Directors taking into account the financial performance of the Company in the previous year and the average base salary increase foreseen for the employees in the given financial year. The amount of the monthly fees of the Chairman of the Board of Directors, of the Supervisory Board and, if the members of the subcommittees are remunerated, of the subcommittees shall exceed the amount of the monthly fees of other members of the respective body.

Fringe benefits:

Employees' cafeteria benefits:

Under the Company's current Cafeteria Policy, Directors are entitled to receive the Cafeteria allowance according to the same principles and rules as all employees.

Company vehicle and fuel card:

A company vehicle and fuel card may be provided in accordance with the Company's Vehicle Use Regulations.

Life and accident insurance:

The persons concerned may be provided extensive life and health insurance according to the same principles and rules as those pertaining to every employee.

Corporate health insurance including complex health screening:

The persons concerned may have recourse to private health care services offered by a health service provider contracted by the Company according to the same principles and rules as those pertaining to every employee, and after the expiry of their trial period they may participate in the Company's complex screening program aimed at health maintenance and health awareness and early detection of diseases.

Other fringe benefits:

Directors may benefit from the Company's extensive fringe benefits scheme (e.g. school-start allowance, Christmas gift package) in accordance with the rules in force at the all times.

Remuneration from subsidiaries:

If a person concerned is an executive or a board member at a subsidiary of the Company, they may be entitled to remuneration for no more than three such positions.

Contribution to voluntary pension scheme:

The persons concerned may receive contributions to a voluntary pension scheme benefit according to the same principles and rules as those pertaining to every employee. The fact and amount of the benefit shall be determined through negotiations with the representative advocacies.

Other fixed remuneration:

Other elements of remuneration not linked to performance and not listed above include remuneration or cost refund based on future market practices, customs or technological innovation (e.g. inventor's royalty,

long service recognition award), the aggregate amount of which shall not exceed 10 percent of the annual basic salary.

Variable elements linked to performance:

One-year:

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 over 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 percent of the basic salary (fixed remuneration) shall also be determined on the basis of market-related current salary 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.

The determination of the chief executive officer's bonus - including its amount set as a percent of the basic salary , and the bonus goals – is made based on the decision of the Board of Directors of the Company, taking into account the fact that employer's rights over the chief executive officer are exercised by the Company's Board of Directors.

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 percent 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 salary.

Other premium:

Premium paid under the terms and conditions set out in the Company's respective premium regulations, but not detailed above.

Long-term (multi-year):

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 salary.

Other, e.g. 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 1 million 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 variable remuneration:

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

Extraordinary items:

Remuneration components not fixed in advance above, the total of which may not exceed 20 percent of the annual basic wage.

The total amount of variable, i.e. performance-linked elements of remuneration shall be no more than 0-80 percent of total remuneration. It is to be noted, however, that the amounts of variable (i.e. performance-linked) remuneration and fixed remuneration upon payment is not constant as such amounts may vary depending on a number of factors not linked to performance (for example vehicle use or health care services used); consequently, a precise rate cannot be determined.

Allocation of the above variable, i.e. performance-linked remuneration is subject to meeting the financial and other conditions determined in detail for the current period by the Company's Board of Directors and other bodies and officers, taking into consideration the current social, market, legal and taxation environment as well as criteria of corporate social responsibility.

When determining the above conditions, the Company's Board of Directors and other bodies and officers shall consider the Company's business strategy, long-term interests and sustainability, considerations of corporate social responsibility, as well as the Company's effective rules and regulations.

When determining whether measurable criteria have been fulfilled, the Company shall consider the percent of fulfilment. The Company shall consider non-measurable criteria fulfilled if the given criteria are fully met. When determining the above criteria the Board of Directors of the Company may apply other methods of evaluation that are reasonable or recognised and accepted by the market.

The condition for paying the above premiums is that the employee must be employed by the Company when the fulfilment of criteria is examined. Premium duly paid based on the fulfilment of the prescribed criteria cannot be reclaimed.

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. 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;
- The Russian-Ukrainian war was a major risk for our Company in 2022. Related challenges, short-term and long-term risks have been continuously managed by the Company's management and the relevant functions since the outbreak of the war;
- Leaders of corporate functional units are responsible for the management of operational risks within their scope of activity, while Quality Management Regulatory Affairs and IT 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 a 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 to reduce the risk exposures of the Company.

The most important risks of the Company regarding the Russian-Ukrainian war are presented separately.

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

Regarding changes of risks during 2022, increasing, decreasing or unchanging risks are also displayed on the following pages.

Strategic Risks

Risk area	Description of risks	Major risk management actions taken	Impact changes
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 license 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, the strong USD exchange rate, the revenue growth as a result of the newly accepted indication (Major Depression Disorder).	Cooperation with our US partner regarding the molecule following Cariprazine. Close contacting, mutual strengthening of trust; Geographical expansion of sales; Strong quality control and support to the continuity of the production (ensuring alternative location for production).	Unchanged 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; A global disruption of the existing balance in the trinity of prices, developments and patents could threaten the return on our patents; Without finding a suitable partner, we cannot necessarily move forward on this field.	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 license 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; Introduction of R+D challenge days (regular financial evaluation of projects jointly with the Financial Directorate).	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 women's healthcare products and licensing agreements; Development cooperation with partners;	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	It will be more difficult to get new projects, and launched projects will be riskier.	Strengthening project management; Starting own production if it is possible.	
Development and marketing of biosimilar products using own and license partners' resources	A delay in the product launch after the expiry of a patent license may hinder the return of expenses; Risk of lacking development/commercial partners; Risk of being able to maximize the commercial potential; The risk of supply chain issues is high for biosimilar products; Risk of lack of HR resources and special expertise; Increasing competition; Risk of compatibility with Richter's other activities when developing products.	Development of the medical and regulatory field, strict monitoring of clinical trials and CROs (Contract Research Organization), strengthening of project management; Appropriate development/commercial partner; Contract manufacturing - increasing capacity utilization.	Unchanged risk level
Maintaining the turnover proceeding from branded generic products	The level of turnover is jeopardized 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),	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);	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	or developments are not successful (lack of registration); High income sensitivity of a delay in market entry; Few numbers of expiring patents, new opportunities; Unfavourable external market environment: RUB/KZT/EUR exchange rates, price policy of different counties, market competition; Risk of inflation and high vulnerability due to inflation and Russian-Ukrainian war.	Appropriate diversification (2000 registers, 60 countries); Operation of the Life Cycle Management framework.	
Protection of traditional product portfolio in a deteriorating market environment, results in an income risk	An incomplete fulfilment the possible side effect notification and the increased regulatory requirements may result in the narrowing or withdrawal of the indication; The Company must be compliant with regulations country by country. Products can be attacked (for example local investigations due to European legislation); In the case of CIS countries, harmonization of licenses is to be expected by 2025. This will increase the risk; A decease of sales might be quicker than 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 area	Description of risks	Major risk management actions taken	Impact changes
Risk risks related to ESG	Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. Many production processes should be rethought in the future. At the production process we must adapt to this. If the Company would delay activity on this field, it could cause significant competitive disadvantage; Investor expectations are getting stronger. Consumer habits and preferences will also change, supporting sustainable development. All this can adversely affect our sales revenues and reputation; We may also be affected by our WHC portfolio and the chemicals we use. The role of the purity of the water supply will increase (it also affects Richter's operation). Necessary technological changes may cause cost increases; Female quota expectations, internal incentive system.	Monitoring related changes, complying with new regulations; Establishing even stricter, forward-looking internal regulations and practices than the external prescriptions; Carbon footprint calculation, expected fit for Fit for 55; Energy reduction concept; ESG report, strengthening of internal focus, incorporation of ESG aspects into long-term planning.	Unchanged risk level*
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)) The use of our opportunities is currently tangential; The Company has enough data, but it is still at the beginning of exploiting new utilization opportunities. The creation of a unified Data	IT developments; Digital strategy, platform strategy, data strategy, automation strategy, modern infrastructure development strategy is available; Searching for collaboration with start-ups;	Decreasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	Lake and the creation of Real-world evidence is at a low level now; 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.	Automation projects.	
Risk of Russian-Ukrainian war	Russia: Impact of Russian sanctions on production in Russia - the current situation is manageable, but further sanctions, the escalation of the situation may even lead to the closure of the Russian factory; Difficulties in making personal contact may impact the operation of the subsidiary, the travel of Western specialists to Russia is risky; Transporting risks to Russia; The flight and recruitment of Russian specialists to the army may make it difficult for the factory to operate at a continuous and adequate level; The supply of the Russian market is largely dependent on Russian production; The deteriorating Russian economic situation may reduce Russian demand.	Alternative procurement sources in Russian production (Russia, China, Turkey, India, etc.); Sanctions compliance monitoring system; Continuation of previous operations, containment of new developments; Continuous crisis management in logistics and finance (transformation of business model); RUB risk can be partially managed - change of Russian business model (invoicing in USD where possible, local conversion of RUB revenues, price increases (withdrawal if it is necessary).	**NEW RISK***

Risk area	Description of risks	Major risk management actions taken	Impact changes
	Risk of sanctions/market pressure regarding our activities in Russia; Risk of compliance with Russian sanctions in Richter's non-Russian units; RUB exchange rate may weaken; Russia's activities may pose a reputational risk in the Western markets, Richter shares may become risky/unacceptable; Risk of the long-term sustainability of business in Russia (Richter's current business model outside of Russia would also be threatened (utilization of production capacity); Action of the Russian state against unfriendly states (Hungary is also in this category). Ukraine: The risk of a permanent decline in sales is high (Polish and Romanian factories may also be affected); Restrictions against the Company due to Russian production (e.g. - loss of 35 Ukrainian distribution licenses, risk of suspension of licenses) (Due to the similar presence of other EU manufacturers, the possibility of sanctioning is limited, the withdrawal of our products would result in a shortage.); Unfavourable perception of Hungarian companies in general;		

Risk area	Description of risks	Major risk management actions taken	Impact changes
	Significant decrease in turnover (population also decreased, pharmacy closures); Hungary's physically closeness to the problematic areas.		
Changes in the global world order and geopolitical risks may hinder the achievement of strategic goals	Any change in the global world order carries a lot of uncertainty. This may affect Richter, as a company with an international presence and significant exports. It can also result in the reduction of our existing markets and production capacities and the hindrance of our growth goals; Geopolitical risks have increased: the extension of the Russian-Ukrainian war, intensifying conflicts, the aspirations of large and middle powers (China, North Korea, Turkey, Iran, etc.). Increasing armaments, economic struggle, cyber-attacks, escalation of conflicts; The globalization-deglobalization issue has become more acute; The international perception of Hungary can influence the results of the Richter.	Continuous monitoring, quick and efficient response to changes and challenges.	**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 a pandemic on Company operations and the supply chain	The potential impact of the COVID-19 pandemic is already very low, but the occurrence of other pandemic crises remains a risk; Infection and illness of employees; Business continuity risk, supply chain, transport problems, sales, product introduction difficulties; Personal contact with business partners is more difficult. This may can cause a disadvantage in many areas; Delay of R&D activities.	Existing Covid experience; HO, general prevalence of the online operation.	Decreasing risk level*
Negative changes in pricing and reimbursement systems, price erosion in the CEE region, in Russia and in China, claw back liabilities in European countries, the rise of pharmacy chains in Europe may reduce our sales revenue and worsen our sales results	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; Narrowing the range of supported products is a slow European trend - introducing new products, counteracting innovation, no return (e.g., Cariprazine); In case of licensed products, the selling price can quickly fall below the purchase price,	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
	where production is no longer viable. This risk has increased recently; Europe - the operation of pharmacy chains (also own production) and distribution (change of model – doctor visits vs. pharmacy chain visits) is increasingly an issue, the failure to take it into account may pose a risk to our current sales model and it may even affect our production.		
Difficulties in accessing and retaining qualified staff in the Central and East European subsidiary companies of the Group may make operations more difficult, more expensive	The difficult situation before Covid in recruiting and retaining labour has returned. There is a high demand for a workforce capable of following rapid technological changes. The prestige of physical work is low, many jobs are more informal than the ones at Richter with strict rules. Foreign work force in general is not a real alternative due to training and language difficulties; In the case of skilled workers, the EU's absorption power increases the risk. This risk is particularly present in medical and regulatory positions in the R&D field. Recruitment of foreign specialists is difficult; Increasing medical salaries tilts the balance in favour of practicing; Change in workforce requirements is an additional risk: appreciation of non-monetary benefits, a greater selection of cafeteria,	Wage increases and the career opportunities helping the long-term commitment to the Company; Contracting with international head-hunters; University training collaborations, presence at universities; Increasing flexibility, adapting to labour market needs, commitment improving solutions; HO – Reduce the frequency of sick leave; Teleworking for foreigners; Employer branding development; New recruitment techniques, new channels; Monitoring of competitors; Fluctuation monitoring, search for individual solutions in the affected areas;	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	flexible working hours, HO, traffic options to the workplace; Loyalty is constantly decreasing in the labor market (Richter became also impacted); HO risk - market demands (many HO) vs. Richter needs, values (innovation, cooperation, efficiency); Fluctuation is below market average, but no decrease is expected; Managing inflation is a serious risk - retaining/acquiring labor vs. cost increase; Richter's prestige grew in Western Europe (VRAYLAR®, market presence, external communication); Romania, Poland - similar challenges; Gender diversity - an increasingly important question for investors.	Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning; Education, development programs; Mental health support; Salary increase, support employees due the increase of prices, compensation focusing on special groups of workers; Management training programs, marketing of management positions; Reduction of labour demand - Robotization, IT developments, paperless processes, transformation of processes, increase in efficiency.	
Sales practices that do not comply with industry ethical standards and applicable laws may result in regulatory penalties and loss of reputation	Employee behaviour that violates the ethical and advertising rules of drug promotion; 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; Cooperation between local subsidiary compliance managers and the Parent Company; Education (with adequate demonstrability); Continuous monitoring.	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
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, in the case of a serious violation, even product recalls (product suspension in extreme cases), liability damages and reputation losses Regulatory changes may cause increase of expenses and sales difficulties	Non-compliance with GMP, GLP, GCP), GDP, IT GXP and PV, MDR may result even in the revocation of activity licenses (Product quality must be provided from manufacturing to maturity, compliant with the expectations of all destinations in the global market); 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 may increase our production expenses, may require new raw materials needs, registration, and new investigations; Change in the regulation of injection manufacturing (EU) the increase of much stricter rigorous examination needs; The elimination of toxic contaminants became in focus 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 (titanium dioxide).	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; Own examination possibilities;	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
		Efforts to produce formulas without titanium dioxide for the most important products.	
Risk of ensuring high availability of pharmaceutical and supply system equipment	API manufacturing is a dangerous process, with the 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 (at the same time, there was no incident causing damage in 2022); The number of cyber-attacks is increasing strongly on a global level.	Operation and dynamic development of the IT security area; Education, improving risk awareness (main focus); Multifactor authentication; Incident monitoring and management; Strong external protection (e.g. running a scan); Limiting the use of pen drives and mobile devices; Implementation of GRC system, development of data management identification, development of guidance; Introduction of data responsibility, designation of data owners (IT is not directly responsible for the data); Operation of governance.	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
Occurrence of environmental, occupational safety, explosion and fire incidents related to chemical and pharmaceutical activities may cause damage to human health, loss of production, material and environmental damage, and loss of reputation	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*
Product recall risk	For various reasons, it may happen that we have to recall one of our products (It is more typical to recall only items.) This may result in loss of sales revenue, loss of market and loss of reputation. The reasons can be product defect, manufacturing defect, product replacement, authority action, defect in the purchased raw material, something new is revealed about the product.	Strict compliance with standards, controls and legal regulations, external and internal rules; Operated control systems, established work processes (obligation to investigate deviations, root cause analysis, development of preventive solutions, effectiveness assessment of measures taken); Monitoring of domestic and international regulatory environment, official practice; Emphasis is taken on prevention.	Unchanged risk level*
Risks related to the quality of raw materials and active ingredients purchased from suppliers	Defects in the quality of raw materials and active ingredients purchased from various suppliers may endanger the quality of our products and thus our reputation.	Regular inspection of direct suppliers, through them the control of the entire supply chain; There is a risk that we cannot reach everyone, there are many suppliers, and in many cases, it is not possible to conduct an on-site inspection; Many new suppliers increase the risk and associated expenses (Russia - due to sanctions);	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
		Certification of active ingredient manufacturers is done by the authorities.	
The risk of a power outage could cause plants and Richter in general to shut down. A significant increase of energy prices may cause a profit decrease (direct and indirect effects) and unprofitable products in some cases.	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 at the Company. The operation will be affected by the lack of natural gas as well; The price of energy is fixed in a contract for the Company in the near future. This is favourable in the current situation. After expiry of the contract expenses may increase significantly; The chance of concluding long-term contracts has decreased; Energy management is not centralized at group level; Price increases also appear indirectly (e.g., raw materials).	Establishment of solar parks; Long-term contracts with energy suppliers; Increasing energy efficiency; Energy strategy; Due to the longer production cycles, the impact of energy price increases only appears later - it means more options for action; Market hedging of energy prices; Employee attitude formation; Enhancing energy security in critical areas; Introduction of an energy management system according to ISO 5001 in 2023.	Increasing risk level*
Risks of the supply of materials and parts and risk of transport and storage	Global supply chain problems - certain raw materials and packaging materials can be obtained more expensively, not at all or not in time; A new supplier may carry new risks;	Earlier order; Alternative supplier; Less frequent ordering in larger batches;	Decreasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	Transport risks decreased on the average but increased towards Russia and Ukraine; In the Russian factory, the risk increased due to the sanctions, but for the time being they managed to solve the problem with alternative sources (typical sources - Russia, CIS, China, India); Continuously tightening regulations of marketing authorizations result in price increases in terms of active ingredients; The above may jeopardize the security of continuous production, increase costs, and generate surplus reserves (materials and assets); The risk of lack of warehouse capacity is low.	Increased level stocks (for avoiding lost business); Increasing warehouse capacities.	
Risk of legal changes and litigation	EU efforts to implement comprehensive pharmaceutical regulation. This will affect Richter as well; Risk of litigation, which may even result in significant financial and reputational losses (e.g., class action lawsuits).	Continuous monitoring of EU legislation, timely preparations; Participation in the development of regulations; Law-abiding behavior, establishing appropriate legal representation in relation to the given country.	Decreasing risk level*
Liability risks	There are several 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	Product liability: insurance, agreements; Employer responsibility: insurance, own reserves, health protection, country-specific knowledge, establishment of legal relations;	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	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 list of substances and activities causing damage may grow; Responsibility for clinical trials, responsibilities of senior executives, general liability to third parties.	Clinical responsibility: insurance (also abroad); Responsibilities of senior executives: insurance; General liability insurance (general third party); Self-insurance, reserving; Increase of risk sensitivity.	
Risks related to GDPR regulations	Violation of GDPR requirements, unauthorized use of personal data, inadequate incident management; Further developments and revisions are required since the initial introduction. A possible incompliant operation or obstruction of operation due to excessive compliance might be disadvantageous for us.	Current operating framework; Fine-tuning of current practice.	Increasing risk level*
Risks arising in connection with access and data management	Practice for privileges and data management despite recent developments is still a risk. Unauthorized access, data loss, data theft may occur.	Identity and Access Management, Data Protection System; Service Now system started (authorization requirements); Password management applications in the IT area.	**NEW RISK***

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; Transactions related to revenues in Russia (transfer of revenues to the parent company), risk of conversion from RUB due to the war; Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency and valuated in HUF in our books, changes significantly. Extra accounting results might be generated (gain and loss) due to the HUF vs. FX price changes.	Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion; Rolling hedging of planned USD, RUB revenues, hedging of financial investments in USD to ensure the stability and predictability of financial results; Changing the Russian business model - invoicing in USD where it is possible, local conversion of RUB revenues, restructuring of banking relationships and operations, continuous examination of opportunities, negotiations with banking partners. Development of a foreign exchange allocation model.	Increasing risk level*
Customer credit risk	On certain markets of the Richter Group (CIS and other region) and some subsidiaries face increased customer credit risk; In connection with the Russian-Ukrainian war, the risk has increased in these two countries; Recession expectations increase the risk as well. The risk has increased due to potential external reasons but no loss has occurred.	Extended MEHIB trade credit insurance for CIS markets and for the Rest of the World region of the Richter Group; Limits set up for buyer; Prepayment request; Operation of the CAS credit management system. Ukraine - introduction of prepayment; Russia - bank guarantees, MEHIB;	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
		Continuous monitoring, monthly reports.	
Risk of managing financial assets (liquidity-counterparty and interest rate risk)	Interest rate risk: Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses); Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital; 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; annual review and development; 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, involvement of new partners, partner selection, diversified portfolio and 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; Monthly investment and risk management report; Investment Committee – weekly.	Increasing 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.	Procedure for the settlement royalty-linked tax allowances negotiated with Tax Authority, the accumulation of tax loss carrying forward	Unchanged risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
	Inappropriate reports may result in regulatory penalty; Introduction of a global minimum tax: tax increase risk; Risk of inadequate tax optimization (overpayment / underpayment); Risk of non-compliance with tax regulations; The risk of an increase of the effective tax rate; The predictability of the tax environment has decreased (e.g., extra taxes, difficult economic situation), which, in addition to the financial effects, also significantly affects the ability to plan the Company's operations.	(TLCF) opportunities resulting from the Parent Company's annual negative tax base; Group transfer price: Masterfile based on established rates, local transfer pricing documentation; Transfer pricing -Dedicated tax experts hired.	
Inflation risk	A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable; Retaining/acquiring workforce vs. increase in expenses - there is a significant risk in its optimal management; A rise in energy prices may result is a significant increase in expenses (directly and indirectly), price volatility may also be high, which may make difficult planning and operation.	The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting; Increase of sales prices; Early procurement; Salary increase, support employees due the increase of prices, compensation focusing on special groups of workers.	Increasing risk level*

Risk area	Description of risks	Major risk management actions taken	Impact changes
Risk of corporate acquisition pressure	Due to the significant amount of inflowing CF, the pressure in the direction of making acquisitions has increased. A significant acquisition reduces the pressure to pay dividends. At the same time, a poorly managed acquisition may result in a significant and lasting loss; Acquisition vs. dividend payment is the way to achieve a healthy capital structure.	Corporate acquisition activity with the involvement of external partners (The success of the acquisition is more important than just to make an acquisition.); Appropriate dividend policy; Continuous analysis and monitoring.	**NEW RISK***

* 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. In addition, new risks have arisen. We have also marked as new risks those risks which - although they may have been known for a long time - have been added to the table.

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 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 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 of environmental protection are laid down in the Environmental Policy and are implemented through the Environmental Management System (KIR) awarded an ISO 14001 certificate. In 2022 KIR successfully passed an ISO 14001 oversight audit conducted by a new certifying body.

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 licenses). Functioning and risk management under the KIR is verified through annual inspection audits by an independent certifying body.

Calculation of the Company's carbon footprint in respect of Hungary has been completed and a target has been set. In line with the European Union's "Fit for 55" programme, Richter aims to achieve a 55 percent reduction by 2030 compared to 1990 levels, as a first step in the implementation of its energy strategy. In 2022, additional carbon footprint projects involving subsidiaries (in Russia, Romania and Poland) were launched.

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.

As a company aware of its responsibility for meeting sustainability goals Richter continues with the expansion of solar systems at all its sites in order to increase the share of energy produced by the Company itself.

Richter attaches importance to the EU legislation on sustainability taxonomy. The Company’s core business is the manufacture of pharmaceuticals, which is not affected by the reporting obligations currently required for climate change issues. However, Richter will continuously monitor the development of the regulation and will prepare the necessary reports in the future if affected.

The environmental management system implemented at our Romanian subsidiary has been successfully certified.

2. Occupational Health and Safety

A typical source of hazard at Richter's workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce 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 2022 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.

Started in 2020, the revamping of the outdated MEBIR SW (Standard Work) environment project continued. The ChemSafe module is about to be implemented and the specification of the Machinery Module was started in 2022.

In the reported year special emphasis was laid on the internationally accepted risk assessment by OEB (Occupational Exposure Band) related to active pharmaceutical ingredient and product manufacturing technologies, which will facilitate the design of an optimal protection mechanism.

With the restriction of dimethylformamide entering into force in December 2023, monitoring of user technologies to ensure compliance based on risk management is ongoing.

Richter fully complies with the requirements of chemical safety set out in the EC regulations REACH and CLP and pays special attention to the provisions of the directive on equipment of potentially explosive atmospheres (ATEX), as well as to the requirements related to the prevention of serious accidents.

There was no technology related fatal, serious or mass accidents in 2022, 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 at the forefront of 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 authority.

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 Richter Group's female 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 in 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 a five-year periods, whose implementation 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 composing 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 years of age 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 for 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 the boards, including the newly created ESG (Environmental Social Governance) Subcommittee set up in December 2021.

In 2022, as a result of the decisions taken by the Annual General Meeting on the composition of the Board of Directors, there was no significant change in age distribution on the Board of Directors.

Women's 30 percent participation in the Supervisory Board remained unchanged throughout 2022.

The Company considers it important to regularly inform the shareholders about its Diversity Policy in the Annual Report and the Report on Corporate Governance including changes in, and achievements through, the Policy.

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 to the local languages and were adapted to the local environments so that they become enshrined in local rules and regulations. Subsidiaries also receive training on an ongoing basis through the central training materials.

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.

Updated and supplemented in the first half of 2022, the Compliance Handbook provides for the fight against corruption and sets out the principles regarding bribery in its chapters Business Conduct and Transparency Policy. 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 2021, at the end of June of 2022. In order to adopt the amendments to the Medicines for Europe Code of Conduct, in 2022 Richter updated the Transparency Code.

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. The anti-corruption clauses were reviewed in 2022.

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, 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.

To comply with the Directive (EU) 2017/1937, on 21 December 2021 Richter introduced Richter VCO, a centralised Virtual Compliance Officer System in addition to the already existing Compliance Hotline, 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 Richter in accordance with the relevant legal regulations. The extension of Richter VCO across Richter Group was completed successfully 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 2022, a total of 22 reports were received from within Richter and from foreign subsidiaries via Richter's VCO and the Compliance Hotline, of which 16 were closed during the year. The reports from

abroad were of various contents and concerned five countries. Overall, the number and quality of notifications indicate a trend of increasing compliance awareness.

In recent years the Compliance Hotline received several reports of conflicts of interest, therefore the Company drafted its Conflict-of-Interest Regulations. 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.

Regular semi-annual Compliance & Data Privacy Dotted Line Reporting was introduced in 2020. The goal is to forge closer connections and control between the Company and the subsidiaries, and to improve the transparency of subsidiaries' compliance and data protection activities. In 2022, 33 countries were approached to fill in the questionnaire.

In view of the increasing number of sanctions imposed by international organisations and authorities, in 2022 Richter started to develop its sanctions monitoring activities. As a result of the project work that started in 2022, an automated sanctions monitoring tool was launched in 2023. Sanctions monitoring involves tracking which legal and natural persons and products are placed on sanctions lists by significant countries, international organisations, and authorities for engaging in unlawful activities such as terrorism, or conducting or financing cyber-attacks, proliferation of chemical weapons or engaging in conduct that violates human rights. It is important to highlight that there are several types of sanctions lists, which impose different obligations on Richter.

In 2022, a group-wide compliance monitoring project was launched to assess compliance awareness, existing compliance risks and controls for all subsidiaries. As a first step, a risk assessment questionnaire on the contents of all Compliance Manuals was compiled and completed by the subsidiaries, to be followed, in 2023, by the evaluation of the responses received from all countries, and the development of the final Compliance Risk Assessment Methodology and Compliance Plan.

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. One means of doing so will be to develop and start to implement a compliance monitoring plan in 2023.

X. Extraordinary Events

1. Extraordinary tax on the Hungarian pharmaceutical industry

Hungarian Government decided on 23rd December 2022 that an extraordinary tax would be levied on the pharmaceutical industry. Based on Government Decree 582/2022 (XII.23.) this tax is calculated from the actual business year's annual net sales of pharmaceutical products and active pharmaceutical ingredients and it is payable for the years 2022 and 2023.

Based on the decree the tax payable by the Company for the year 2022 is expected to be HUF 27.9 billion according to financial regulations in effect at the time of the publication of this report. The tax has been accounted under Other expenses thus proportionally lowering the Company's operating profit and free cash-flow for 2022.

2. Russian – Ukrainian conflict

Business in Russia suffered slight temporary delays in the early days of the military conflict, shipments have since then broadly returned to their pre-war routine. Market intelligence data suggest that in the first eleven months retail pharmaceutical sales in Russia increased by 15 percent in RUB terms primarily due to price increases.

A stockpiling impacted sales at the final consumer level in the first quarter. Wholesaler stocks, however, declined to significantly lower levels by the end of 2022 compared to January. Payments have been received in due order during the entire reported year.

Starting March 2022 we have served Russian wholesalers exclusively from the Gedeon Richter RUS warehouse. Invoices to wholesalers are issued in RUB as previously by local subsidiaries of the Group. Invoices between the latter and the Parent are settled in USD with effect from second quarter 2022. Approximately half of our local turnover is naturally hedged, covering the RUB incurred costs of local manufacturing and marketing activities.

Commercial operations were disrupted in Ukraine in late February and only resumed in mid April at significantly lower levels compared to previous sales volumes. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 35 of our products was initiated in early October on this legal basis. Richter plans to appeal against the decision. The practical implementation of the above measure did not take place by the end of the reported year, all of our registered products have been marketed throughout the year.

GEDEON RICHTER PLC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Gábor Orbán

chief executive officer

Budapest, 9 March 2023

Gedeon Richter Plc.

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Income Statement

for the year ended 31 December

	Notes	2022	2021
		HUFm	HUFm
Revenues	**5**	**802,755**	**630,595**
Cost of sales		(342,291)	(281,322)
Gross profit		**460,464**	**349,273**
Sales and marketing expenses		(147,487)	(114,596)
Administration and general expenses		(34,863)	(28,665)
Research and development expenses		(75,109)	(61,005)
Other income	5	23,688	12,998
Other expenses	5	(74,702)	(22,491)
Reversal of impairment on financial and contract assets		1,564	318
Profit from operations	**5**	**153,555**	**135,832**
Finance income	6	88,803	30,106
Finance costs	6	(82,845)	(22,473)
Net financial income	**6**	**5,958**	**7,633**
Share of profit of associates and joint ventures	15	6,150	3,110
Profit before income tax		**165,663**	**146,575**
Income tax	7	(8,408)	(5,395)
Profit for the year		**157,255**	**141,180**
Profit attributable to:			
Owners of the parent		155,581	139,626
Non-controlling interest		1,674	1,554
Earnings per share (HUF)			
Basic and diluted	8	835	751

The notes on pages 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December	Notes	2022	2021
		HUFm	HUFm
Profit for the year		**157,255**	**141,180**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial gain on retirement defined benefit plans	35	1,131	631
Changes in the fair value of equity investments at fair value through other comprehensive income	18	1,209	2,154
		2,340	**2,785**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Exchange differences arising on translation of subsidiaries		20,240	8,626
Exchange differences arising on translation of associates and joint ventures	15	(909)	(53)
Change in fair value of hedging instruments recognised in OCI	11	(8,432)	(23)
Hedging gain reclassified to profit or loss		9,275	-
Changes in fair value of debt instruments at FVOCI	18	(519)	(1,620)
		19,655	**6,930**
Other comprehensive income for the year		**21,995**	**9,715**
Total comprehensive income for the year		**179,250**	**150,895**
Attributable to:			
Owners of the parent		176,728	149,092
Non-controlling interest		2,522	1,803

The notes on pages 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet - Assets

	Notes	31 December 2022 HUFm	31 December 2021 HUFm
Non-current assets			
Property, plant and equipment	12	315,949	278,394
Investment property		-	110
Goodwill	13	35,101	35,005
Other intangible assets	14	196,714	220,915
Investments in associates and joint ventures	15	9,281	10,800
Non-current financial assets at amortised cost	16	20,801	5,335
Non-current financial assets at FVTPL	17	67,724	84,651
Non-current financial assets at FVOCI	18	68,193	73,274
Derivative financial instruments*	11	31,446	9,107
Deferred tax assets	19	15,878	12,285
Other long-term receivables	20	3,432	2,784
		764,519	**732,660**
Current assets			
Inventories	21	153,335	131,349
Trade receivables	22	175,182	184,760
Contract assets	23	6,150	3,865
Other current assets	24	41,120	30,474
Current financial assets at amortised cost	25	44,716	912
Current financial assets at FVOCI	26	1,536	-
Derivative financial instruments*	11	2,154	296
Current tax asset	27	4,844	1,110
Cash and cash equivalents	28	79,719	59,856
Assets classified as held for sale	49	67,014	-
		575,770	**412,622**
Total assets		**1,340,289**	**1,145,282**

* The extension of the Group's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

The notes on pages 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Balance Sheet – Equity and liabilities

	Notes	31 December 2022 HUFm	31 December 2021 HUFm
Capital and reserves			
Equity attributable to owners of the parent			
Share capital	29	18,638	18,638
Treasury shares	30	(2,123)	(2,862)
Share premium		15,214	15,214
Capital reserves		3,475	3,475
Foreign currency translation reserves	29	47,846	29,363
Revaluation reserves for financial assets at FVOCI	29	(339)	1,346
Cash-flow hedge reserve	29	820	(23)
Retained earnings		966,375	849,735
		1,049,906	**914,886**
Non-controlling interest	31	10,446	8,136
		1,060,352	**923,022**
Non-current liabilities			
Deferred tax liability	19	3,928	3,798
Non-current financial liabilities at FVTPL	32	41,516	55,301
Derivative financial instruments*	11	25,484	8,518
Lease liability	33	10,789	12,722
Other non-current liabilities and accruals	34	13,634	12,830
Provisions	35	5,079	5,878
		100,430	**99,047**
Current liabilities			
Trade payables	37	46,092	79,638
Contract liabilities	38	1,931	1,593
Current tax liabilities	27	3,848	2,722
Current financial liabilities at FVTPL	39	2,855	3,192
Derivative financial instruments*	11	4,786	85
Lease liability	33	4,437	4,595
Other current liabilities and accruals	40	64,361	28,267
Provisions	35	2,153	3,121
Liabilities directly associated with assets classified as held for sale	49	49,044	-
		179,507	**123,213**
Total equity and liabilities		**1,340,289**	**1,145,282**

* The extension of the Group's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

The notes on pages 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	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	15	-	-	-	-	-	(53)	-	-	(53)	-	(53)
Actuarial gain on retirement defined benefit plans	35	-	-	-	-	-	-	-	631	631	-	631
Changes in the fair value of financial assets at FVOCI	29	-	-	-	-	372	-	-	162	534	-	534
Change in fair value of hedging instruments recognised in OCI	29	-	-	-	-	-	-	(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	30	-	-	-	(819)	-	-	-	-	(819)	-	(819)
Transfer of treasury shares	30	-	-	-	1,748	-	-	-	(1,748)	-	-	-
Recognition of share-based payments	29	-	-	-	-	-	-	-	1,590	1,590	-	1,590
Ordinary share dividend for 2020	44	-	-	-	-	-	-	-	(41,934)	(41,934)	-	(41,934)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(206)	(206)
Sale of subsidiary		-	-	-	-	-	-	-	-	-	(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 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	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 2022		**18,638**	**15,214**	**3,475**	**(2,862)**	**1,346**	**29,363**	**(23)**	**849,735**	**914,886**	**8,136**	**923,022**
Profit for the year		-	-	-	-	-	-	-	155,581	155,581	1,675	157,255
Exchange differences arising on translation of subsidiaries		-	-	-	-	-	19,392	-	-	19,392	848	20,240
Exchange differences arising on translation of associates and joint ventures	15	-	-	-	-	-	(909)	-	-	(909)	-	(909)
Actuarial gain on retirement defined benefit plans	35	-	-	-	-	-	-	-	1,131	1,131	-	1,131
Changes in the fair value of financial assets at FVOCI	29	-	-	-	-	690	-	-	-	690	-	690
Reclassification of gain on transfer of equity investments at FVOCI to retained earnings		-	-	-	-	(2,375)	-	-	2,375	-	-	-
Change in fair value of hedging instruments recognised in OCI	29	-	-	-	-	-	-	(8,432)	-	(8,432)	-	(8,432)
Hedging gain reclassified to profit or loss		-	-	-	-	-	-	9,275	-	9,275	-	9,275
Total comprehensive income for year ended 31 December 2022		**-**	**-**	**-**	**-**	**(1,685)**	**18,483**	**843**	**159,087**	**176,728**	**2,522**	**179,250**
Purchase of treasury shares	30	-	-	-	(1,326)	-	-	-	-	(1,326)	-	(1,326)
Transfer of treasury shares	30	-	-	-	2,065	-	-	-	(2,065)	-	-	-
Recognition of share-based payments	29	-	-	-	-	-	-	-	1,552	1,552	-	1,552
Ordinary share dividend for 2021	42	-	-	-	-	-	-	-	(41,934)	(41,934)	-	(41,934)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(212)	(212)
Transactions with owners in their capacity as owners for year ended 31 December 2022		**-**	**-**	**-**	**739**	**-**	**-**	**-**	**(42,447)**	**(41,708)**	**(212)**	**(41,920)**
Balance at 31 December 2022		**18,638**	**15,214**	**3,475**	**(2,123)**	**(339)**	**47,846**	**820**	**966,375**	**1,049,906**	**10,446**	**1,060,352**

The notes on pages 128-235 form an integral part of the Consolidated Financial Statements.

Consolidated Cash-Flow Statement

for the year ended 31 December

	Notes	2022 HUFm	2021 HUFm
Operating activities			
Profit before income tax		165,663	146,575
Depreciation and amortisation	5	48,569	44,922
Non-cash items accounted through Income Statement*		24,366	(1,425)
Net interest and dividend income	6	(6,979)	(3,568)
Changes in provision for defined benefit plans	35	(906)	(8)
Reclass of results on changes of property, plant and equipment and intangible assets		(3,892)	(939)
Gain on disposal of subsidiaries		-	(1,391)
Impairment recognised on intangible assets and goodwill	13, 14	19,861	2,591
Impairment of securities	7	297	-
Expense recognised in respect of share-based payments	29	1,552	1,590
Movements in working capital			
Increase in trade and other receivables		(51,307)	(36,470)
Increase in inventories		(38,994)	(20,983)
Increase in payables and other liabilities		48,243	17,173
Interest paid		(7,256)	(27)
Income tax paid	7	(14,290)	(8,136)
Net cash flow from operating activities		**184,927**	**139,904**
Cash flow from investing activities			
Payments for property, plant and equipment*		(59,231)	(46,127)
Payments for intangible assets*		(12,348)	(97,170)
Proceeds from disposal of property, plant and equipment		2,807	1,857
Government grant received related to investments		-	693
Payments to acquire financial assets		(57,723)	(143,206)
Proceeds on sale or redemption on maturity of financial assets		13,523	30,998
Disbursement of loans net		(18,053)	(1,294)
Interest received	6	13,418	2,950
Dividend received	6	43	9
Net cash outflow on acquisition of subsidiaries		(1,263)	-
Net cash inflow from disposal of subsidiaries		-	2,118
Net cash flow to investing activities		**(118,827)**	**(249,172)**
Cash flow from financing activities			
Purchase of treasury shares	30	(1,326)	(819)
Dividend paid	42	(42,146)	(42,140)
Principal elements of lease payments		(3,437)	(2,055)
Repayment of borrowings		(178,487)	(244,846)
Proceeds from borrowings		178,487	315,119
Net cash flow (to)/from financing activities		**(46,909)**	**25,259**
Net increase/(decrease) in cash and cash equivalents		**19,191**	**(84,009)**
Cash and cash equivalents at beginning of year		**59,856**	**142,068**
Effect of foreign exchange rate changes on the balances held in foreign currencies		1,632	1,603
Cash and cash equivalents at end of year**	**28**	**80,679**	**59,662**

* 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 14 Additions, because the latter one contains non-material, non-cash addition of the assets, including transfers.

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

The notes on pages 128-235 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.

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 Macroeconomic environment

A) The impact of supply chain and other macroeconomic factors
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 and it was not threatened by the consequences of the Russian-Ukrainian conflict and related sanctions.

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 22.

Russian invasion of Ukraine in early 2022 and subsequent waves of Western sanctions imposed on Russian energy sector resulted in several decade long record inflation across most economies. In the light of a severe energy crisis Europe faces sharply increasing costs of living and hampering economic activity.
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.

Global demand is growing rapidly, and the unprecedented need for COVID-19 vaccines and therapeutics has put additional pressure on the industry. The industry's ability to find innovative solutions to deliver COVID-19 vaccines while still meeting overall demand is a remarkable achievement, but rising global demand is still a significant challenge for the industry in the long term.

In addition to these industry-specific trends, pharma has also been affected by broader global trends, such as supply chain pressures. While the pharma industry is considered somewhat protected by its high inventory levels and long-standing dual sourcing, over a given ten-year period, the likelihood of supply chain disruptions remains significant. Inflation has risen in recent months to levels not seen for decades, leading to increasing costs for labour, raw materials, and transportation. This is over and above the persistent price pressures pharma is already facing, particularly in generics. Since pharma customers are not expected to fully absorb these cost increases, profit margins are under pressure.

The risks to the supply chain and the associated effects of inflation remain dominant, covering a wide range of issues, grouped around the following main elements:

Availability and pricing of raw materials and finished

- Risks of the supply of materials and parts and risk of transport and storage
- Global supply chain problems - certain raw materials and packaging materials can be obtained more expensively, not at all or not in time.
- Transport risks during Covid (container shortages, slow sea routes, delays, price increases) have decreased, but increased towards Russia and Ukraine.
- In the Russian factory, the risk of continuous supply of materials and parts increased due to the sanctions (for some machines, spare parts could not be obtained from Western manufacturers due to the sanctions, and some raw materials were not available from traditional Western partners), but there were no disruptions in production as alternative sources (typically Russian, CIS, Chinese, Indian) were able to supply the missing items.
- Continuously tightening regulations of marketing authorizations result in price increases in terms of active ingredients.
- The risk of supply chain issues is high for biosimilar products.
- The above may jeopardize the security of continuous production, increase costs, and generate surplus reserves (materials and assets).

The Group mitigate the above risks by through advanced ordering processes and seeking alternative sources of supply, by taking strict care to regularly check direct suppliers and by monitoring the entire supply chain.

Similarly, dependencies can be reduced by ordering fewer but larger items, increasing stock levels to avoid the risk of "lost business", but this leads to an increase in warehouse capacity and associated costs.

Shipping, distribution, and warehousing

From a business point of view, the increase in the time required for the arrival of shipments of finished products and raw materials caused losses. Compared to an average of 4 days previously, shipments were on the road for 2-3 weeks due to restrictions, controls, longer routes, and border congestion.
There is also a reallocation in the production and supply area: there are three reasons for the reallocation of sources of supply of production supplementary and packaging materials. On the one hand, the EU's 5th package of sanctions includes a ban list of substances that are an essential part of pharmaceutical production. On the other hand, certain suppliers, although their products were not subject to sanctions, no longer wished to supply the Russian market, or at least not in the form of direct deliveries. Thirdly, due to logistical difficulties, the supply of certain products has become impossible and, due to their mass, it has become impractical to continue to procure them through Budapest.
For the products subject to sanctions, we stockpiled 6-12 months' worth of all the substances concerned before the restrictions took effect in July, allowing time to find new suppliers and implement the changes. In the majority of cases, the price changes are not significant or are of different direction, so there is no material cost impact from the reallocation.
Due to changes in packaging materials, the changes affect the entire portfolio, with only bottled products being exempted from registration modifications.

Labour availability and personnel costs

The pharma industry is also facing talent shortages linked to wider labor market trends. The current pool of pharma digital talent is at least 14 percent lower than demand, and many companies are finding it challenging to recruit technical talent. Compounding this challenge is the rise of remote working, which has increased employee expectations for flexibility. In response, nearly all pharma companies are experimenting with hybrid working models.

Difficulties in accessing and retaining qualified staff in the Central and East European subsidiary companies of the Group may make operations more difficult, more expensive, even may result lost business.

- The difficult situation before Covid in recruiting and retaining labour has returned. There is a high demand for a workforce capable of following rapid technological changes. The prestige of physical work is low, many jobs are more informal than the ones at Richter with strict rules. Foreign work force in general is not a real alternative due to training and language difficulties;
- Risk of lack of HR resources and special expertise in the biosimilar area;
- In the case of skilled workers, the EU's absorption power increases the risk. This risk is particularly present in medical and regulatory positions in the R&D field. Recruitment of foreign specialists is difficult;
- Increasing medical salaries tilts the balance in favour of practicing;
- Change in workforce requirements is an additional risk: appreciation of non-monetary benefits, a greater selection of cafeteria, flexible working hours, HO, traffic options to the workplace;
- Loyalty is constantly decreasing in the labor market (Richter became impacted as well.);
- HO risk - market demands (many HO) vs. Richter needs, values (innovation, cooperation, efficiency);
- Fluctuation is below market average, but no decrease is expected;
- Managing inflation is a serious risk - retaining/acquiring labor vs. cost increase;
- Richter's prestige grew in Western Europe (Vraylar, market presence, external communication);
- Romania, Poland - similar challenges;
- Gender diversity - an increasingly important question for investors.

In response to ever-increasing inflation and rising utility costs, Richter introduced a monthly utilities support for all active colleagues in 2022 to help them during this difficult period. To complement this, the Company has also paid utilities aid to the most vulnerable employees through the Richter Welfare Foundation.

In 2022 the ratio of employees working in their home office peaked at 20 percent since the pandemic and hybrid work has become commonplace for office workers.

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 authority.

Professional and management career opportunities are open for Richter Group's female employees. 49 % of Richter's staff is female, and their respective rate in managerial positions (from deputy head of department to the top management) is 36 %. Richter provides many opportunities for personal development. Male and female staff participate in training programs supported by the Company in equal proportions.

The Group also uses additional tools to mitigate the above risks:

- Wage increases and the career opportunities helping the long-term commitment to the company;
- Contracting with international head-hunters;
- University training collaborations, presence at universities;
- Teleworking for foreigners;
- Employer branding development;
- New recruitment techniques, new channels;
- Monitoring of competitors;
- Fluctuation monitoring, search for individual solutions in the affected areas;
- Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning;

Inflation risks

Higher inflation levels affect the judgements and estimates used in the preparation of the financial statements, including the predicted costs used in the going concern/impairment review and the assumptions made about pension obligations.
A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable.

A rise in energy prices may result is a significant increase in expenses (directly and indirectly), price volatility may also be high, which may make difficult planning and operation.
There is also a significant risk in optimally managing the increase in costs to retain and acquire workforce.

The following risk management procedures are applied:
- The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting;
- Increase of sales prices;
- Early procurement;
- Wage increase, support employees due the increase of prices, compensation focusing on special groups of workers

1) Risk of managing and investing financial assets

Interest rate risk: higher interest rates, mainly as a result of inflation, lead to a decrease in the value of fixed rate financial assets, affect expected credit losses, cause the Company to review and change its investment strategies and affect the discount rates used to value pension-related. Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses). Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital.

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.

The Company applies the following risk management procedures:
- At the Parent Company: financial investment regulations, strict compliance, daily limit monitoring, risk manager, reports; annual review and development;
- 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, involvement of new partners, partner selection, diversified portfolio and 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;
- Monthly investment and risk management report;
- Investment Committee – weekly.

Foreign exchange risk on 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;
Transactions related to revenues in Russia (transfer of revenues to the parent company), risk of conversion from RUB due to the war;
Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency and valuated in HUF in our books, changes significantly. Extra accounting results might be generated (gain and loss) due to the HUF vs. FX price changes.

The Group has implemented the following procedures to mitigate the risks and their effects:

- Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion;
- Rolling hedging of planned USD, RUB revenues, hedging of financial investments in USD to ensure the stability and predictability of financial results;
- Changing the Russian business model - invoicing in USD where it is possible, local conversion of RUB revenues, restructuring of banking relationships and operations, continuous examination of opportunities, negotiations with banking partners.
- Development of a foreign exchange allocation model.

B) Climate-related and ESG risks

Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. Many production processes should be rethought in the future. At the production process we have to adapt to this. If the Company would delay activity on this field, it could cause significant competitive disadvantage.

Investor expectations are getting stronger. Consumer habits and preferences will also change, supporting sustainable development. All this can adversely affect our sales revenues and reputation.

We may also be affected by our WHC portfolio and the chemicals we use. The role of the purity of the water supply will increase (it also affects Richter's operation). Necessary technological changes may cause cost increases;

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

Calculation of the Company's carbon footprint in respect of Hungary has been completed and a target has been set. In line with the European Union's "Fit for 55" programme, Richter aims to achieve a 55% reduction in carbon footprint by 2030 compared to 1990 levels, as a first step in the implementation of its energy strategy.

As a company aware of its responsibility for meeting sustainability goals Richter continues with the expansion of solar systems at all of its sites in order to increase the share of energy produced by the Company itself.

The Richter attaches importance to the EU legislation on sustainability taxonomy. The Group’s core business is the manufacture of pharmaceuticals, which is not affected by the reporting obligations currently required for climate change issues. However, Richter will continuously monitor the development of the regulation and will prepare the necessary reports in the future if affected.

Occupational Health and Safety

A typical source of hazard at Richter’s workplaces 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 2022 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.

Richter fully complies with the requirements of chemical safety set out in the EC regulations REACH and CLP and pays special attention to the provisions of the directive on equipment of potentially explosive atmospheres (ATEX), as well as to the requirements related to the prevention of serious accidents.

Human Resource Management

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

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.

Policy of Diversity

In its operation Richter lays great store by personal values and individual characteristics. According to the Group's creed the exploitation of varying characteristics is the corner stone of innovation and success and believes that the Group'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 Group's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter's operation; when drafting internal regulations the Group strives to shape the corporate environment to meet this principle.

In the spirit of diversity, when composing the Group'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 Group'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.

Procedures used to manage ESG-related risks:

- Monitoring related changes, complying with new regulations;
- Establishing even stricter, forward-looking internal regulations and practices than the external prescriptions;
- Carbon footprint calculation, expected fit for Fit for 55;
- Energy reduction concept;
- ESG report, strengthening of internal focus, incorporation of ESG aspects into long-term planning.

1.4 Adoption of new and revised standards

A) The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2022

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- 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).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements.

B) New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- 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),
- 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).

C) Standards and Interpretations issued by IASB but not yet adopted by the EU

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 the 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 – Deferral of Effective Date, Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- 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.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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 and purchased by the Group,
- 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 and research and development services and 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 conflict

Business in Russia suffered slight temporary delays in the early days of the military conflict, shipments have since then broadly returned to their pre-war routine. Market intelligence data suggest that in the first eleven months retail pharmaceutical sales in Russia increased by 15% in RUB terms primarily due to price increases.

A stockpiling impacted sales at the final consumer level in the first quarter. Wholesaler stocks, however, declined to significantly lower levels by the end of 2022 compared to January. Payments have been received in due order during the entire reported year.

Starting March 2022, we have served Russian wholesalers exclusively from the Gedeon Richter RUS warehouse. Invoices to wholesalers are issued in RUB as previously by local subsidiaries of the Group. Invoices between the latter and the Parent are settled in USD with effect from second quarter 2022. Approximately half of our local turnover is naturally hedged, covering the RUB incurred costs of local manufacturing and marketing activities.

Commercial operations were disrupted in Ukraine in late February and only resumed in mid-April at significantly lower levels compared to previous sales volumes. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 35 of our products was initiated in early October on this legal basis. Richter plans to appeal against the decision. The practical implementation of the above measure did not take place by the end of the reported year, all of our registered products have been marketed throughout the year.

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	24,222	475	**24,697**
Other intangible assets	99	1	**100**
Trade receivables	50,146	-	**50,146**
Inventories	31,382	6	**31,388**
Cash and cash equivalents	4,163	14	**4,177**
All exposures	**110,011**	**496**	**110,507**

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	20,979	9	**20,988**
Trade receivables	62,278	2,457	**64,735**
- *from this: amounts due from subsidiaries*	*61,948*	-	*61,948*
Bonds	3,048	-	**3,048**
Inventories	3,062	935	**3,997**
Cash and cash equivalents	938	9	**947**
All exposures	**90,305**	**3,410**	**93,715**

In 2022 the sales to the two countries amounted to 17.4% of the Group's total revenue (HUF 139,584 million).

	Russia	**Ukraine**	**Total**
Revenue in 2022 (HUFm)	129,066	10,518	**139,584**
Proportion of the total revenues	*16,1%*	*1.3%*	*17.4%*

Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 13. 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 detailed in Note 13.

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 2022 would be greater by HUF 4,780 million. This change would have been HUF 4,487 million in 2021.
The Group recorded depreciation and amortisation expense in the amount of HUF 42,925 million and HUF 40,291 million for the years ended 31 December 2022 and 2021, 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 5,644 million) comparing to the depreciation of the fixed assets (HUF 42,925 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use asset is not quantified.

Uncertain tax position in Romania

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.

Finally, in December 2022 the High Court of Cassation and Justice has ruled in favour of Gedeon Richter Romania most of the challenged positions, therefore all provisions were cancelled.

3.2 Critical judgements in applying entities accounting policies

Deferred tax at Parent Company

In 2021 the Company had a significant deferred tax asset related to the deductible temporary differences of tax loss carried forward. Following a significant improvement in the financial performance in 2021, the Company reviewed and stated the utilization of previously unrecognized tax losses. As a consequence, a deferred tax asset of HUF 2,790 million was recognized in 2021, which was used in 2022. The deferred tax expense of the Group is presented in Note 19.

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, production and sales 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		Wholesale and retail		Other		Eliminations		Total	
	HUFm		HUFm		HUFm		HUFm		HUFm	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
3rd party revenues	647,166	495,496	154,565	134,205	1,024	894	-	-	802,755	630,595
Inter segment revenues	9,177	9,523	5	8	8,693	6,256	(17,875)	(15,787)	-	-
Revenues	**656,343**	**505,019**	**154,570**	**134,213**	**9,717**	**7,150**	**(17,875)**	**(15,787)**	**802,755**	**630,595**
Profit from operations	152,085	135,047	(49)	465	144	386	1,375	(66)	153,555	135,832
Total assets	1,411,959	1,219,984	85,884	71,380	22,722	4,104	(180,276)	(150,186)	1,340,289	1,145,282
Contract assets	6,150	3,865	-	-	-	-	-	-	6,150	3,865
Total liabilities	245,140	184,554	74,523	61,008	14,555	1,043	(54,281)	(24,345)	279,937	222,260
Contract liabilities	1,931	1,593	-	-	-	-	-	-	1,931	1,593
Capital expenditure*	71,165	142,460	104	595	310	262	-	(20)	71,579	143,297
Depreciation and amortisation**	46,972	43,435	1,373	1,288	224	199	-	-	48,569	44,922
from this: IFRS16 related	4,801	3,873	843	758	-	-	-	-	5,644	4,631
Share of profit of associates and joint ventures	4,464	1,972	1,623	1,211	41	(46)	22	(27)	6,150	3,110
Investments in associates and joint ventures	(1,924)	553	10,007	9,113	1,308	1,266	(110)	(132)	9,281	10,800

* See in the Consolidated Cash-flow Statement.
** See Note 12,14 and in the Consolidated Cash-flow Statement.

4.2 Entity wide disclosures

2022	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	45,713	179,666	316,801	154,689	21,712	23,455	29,489	771,525
Over time	911	654	10,768	7,459	-	4,427	7,011	31,230
Revenues	**46,624**	**180,320**	**327,569**	**162,148**	**21,712**	**27,882**	**36,500**	**802,755**
Total assets	996,043	101,958	198,608	2,862	5,057	20,162	15,599	1,340,289
Capital expenditure	52,072	552	18,371	-	-	284	300	71,579

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	113,671	15,592	13,192	24,665	596,914
Over time	791	429	12,152	9,320	-	4,410	6,579	33,681
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

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	**2022** HUFm	**2021** HUFm
Sale of pharmaceutical products	633,368	495,345
Revenue from services	19,662	16,947
Royalty income	149,725	118,303
Total revenues	**802,755**	**630,595**

Revenues of approximately HUF 138,114 million (2021: HUF 101,569 million) are derived from a single external customer (AbbVie) that 17% 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 2022 and in 2021.

5. Profit from operations – expenses by nature

	2022 HUFm	**2021** HUFm
Revenues	802,755	630,595
from this: royalty and other similar income	*149,725*	*118,303*
Changes in inventories of finished goods and work in progress, cost of goods sold	(204,662)	(160,362)
Material type expenses	(179,151)	(136,806)
Personnel expenses	(167,368)	(143,498)
Depreciation and amortisation (Note 12 and 14)	(48,569)	(44,922)
from this: IFRS16 related	(5,644)	(4,631)
Other income	23,688	12,998
Other expenses	(74,702)	(22,491)
Reversal of impairment on financial and contract assets	1,564	318
Profit from operations	**153,555**	**135,832**

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

Deloitte Auditing and Consulting Ltd.	**2022** HUFm	**2021** HUFm
Richter – annual audit – separate financial statement	25	20
Richter – annual audit – consolidated financial statement	7	7
ESEF audit	10	-
Total	**42**	**27**

Deloitte Network

	2022 HUFm	2021 HUFm
Audit based on statutory provisions	173	81
Other services providing assurance	-	12
Tax consulting services	4	36
Other non-audit services	9	28
Total	**186**	**157**

The balance of impairment on financial and contract assets

The net reversal of impairment recognised on financial and contract assets in accordance with IFRS 9 was HUF 1,564 million in 2022 and HUF 318 million in 2021.

Other income and Other expenses

Other income changed from HUF 12,998 million in the base period to HUF 23,688 million in 2022.

In the period of reporting the Group received HUF 10,623 million one-off payments mainly related to cariprazine and the collaboration with AbbVie covering the field of neuropsychiatric diseases and compared to the one-off payments realised from denosumab, tocilizumab and cariprazine in the reference period and amounting to a total of HUF 3,072 million.

Other expenses increased from HUF 22,491 million in the previous year to HUF 74,702 million in 2022.

Hungarian Government decided on 23rd December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as other expense in 2022.

Impairment reported on intangibles in 2022 amounted to HUF 18,979 million. The Group reviews it's ongoing development projects on yearly basis. In the current year several development projects and contract were stopped and terminated. In 2021 the impairment reported on intangibles was HUF 2,586 million including HUF 1,731 million reported on Priya.

In 2022, HUF 8,263 million was reported in impairment and scrapping of inventories, HUF 3,539 million more than in the reference year.

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 expenses include expenditures in respect of the claw-back regimes effective in Hungary, Romania, Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria, Austria, Poland, Latvia, Lithuania, Croatia, Slovenia, Greece, Ireland, UK and Switzerland amounting to HUF 7,727 million in 2022 (in 2021 HUF 5,546 million).

Depreciation charge of right-of-use assets:

	2022 HUFm	2021 HUFm
Land	(24)	(21)
Building	(3,260)	(2,770)
Machinery	(5)	(5)
Office equipment	(16)	(15)
Vehicles	(2,339)	(1,820)
Total	**(5,644)**	**(4,631)**

The Consolidated Income Statement includes HUF 1,459 million in 2022 (in 2021 HUF 994 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:

	2022 HUFm	2021 HUFm
Unrealised financial items	**(17,887)**	**4,403**
Exchange (loss)/gain on trade receivables and trade payables	(16,740)	3,911
Gain on foreign currency loans receivable	3,842	984
Gain on foreign currency securities	1,391	2,374
Result of unrealised forward exchange contracts	10	195
Foreign exchange difference of other financial assets and liabilities	(780)	(18)
Unwinding of discounted value related to contingent-deferred purchase price liabilities	(37)	-
Interest expenses related to IFRS 16 standard	(774)	(636)
Year-end foreign exchange difference related to IFRS 16 standard	(85)	(109)
Impairment loss on investments	-	(758)
Unrealised fair value difference on financial instruments	(4,417)	(1,540)
Impairment of securities	(297)	-
Realised financial items	**23,845**	**3,230**
Loss on forward exchange contracts	(6,380)	-
Exchange gain realised on trade receivables and trade payables	24,636	2,240
Foreign exchange difference on conversion of cash	1,651	(1,980)
Dividend income	43	9
Interest income	13,418	2,950
Interest expense	(7,256)	(27)
Loss of cash-flow hedge (reclassification from OCI)	(95)	-
Result of sale of debt instruments	(3,112)	-
Result of sale of equity instruments	-	180
Other financial items	940	(142)
Total	**5,958**	**7,633**

Unrealised financial items were significantly affected by the 5.15 RUB/HUF, 375.68 USD/HUF and 400.25 EUR/HUF exchange rates related translation on 31 December 2022. See the results of the foreign sensitivity tests in Note 9.

The unrealised fair value difference on financial instruments was HUF 4,417 million loss in 2022, which consist of HUF 15,347 million gain for debt on issue of bond, HUF 5,895 million gain for derivatives, HUF 20,892 million loss for government securities and corporate bonds and HUF 3,072 million loss for other financial asset. In 2021 this fair value difference was HUF 1,540 million loss.

From 2021, the Company enters into cash-flow hedging transactions. In 2022, it realized financial loss of HUF 95 million, but in 2021 there was no realized transaction.

In addition to this, the Company also concludes futures transactions for trading purposes. In 2022, on these transactions the Company realized HUF 6,380 million financial loss. The reason for this was primarily the change in the RUB exchange rate. In 2021, the Company did not realize such a financial result.

During the current year, some of the government bonds were sold from the debt instruments valued at FVOCI. Financial loss of HUF 3,112 million was generated from the exchange rate difference realized at the disposal. There was no debt instrument sale in 2021.

The effects of hedge accounting on financial position and performance are detailed in Note 11 and Note 29.

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

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.

	2022 HUFm	**2021** HUFm
Corporate income tax	(5,429)	(4,396)
Local business tax	(5,431)	(3,942)
Innovation contribution	(822)	(597)
Current tax	**(11,682)**	**(8,935)**
Deferred tax (Note 19)	3,274	3,467
Deferred tax asset on unrealised profit elimination	-	73
Deferred tax	**3,274**	**3,540**
Income tax	**(8,408)**	**(5,395)**

In 2022 the average effective tax rate calculated on the basis of the current tax is 7.1% and also 5.1% taking into account the effect of deferred tax as well, in 2021 these rates were 6.1% and 3.4% 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	20.0%
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.

Related to uncertain tax position please see Note 47.

Tax rate reconciliation

	2022 HUFm	2021 HUFm
Profit before income tax	**165,663**	**146,575**
Tax calculated at domestic tax rates applicable to profits in the respective countries*	13,130	18,187
Tax effects of:		
Associates' results reported net of tax	(554)	(280)
Income not subject to tax	(8,112)	(4,808)
Expense not deductible for tax purposes	2,339	1,156
Expense eligible to double deduction**	(5,145)	(3,952)
The effect of changes in tax loss for which no deferred income tax has been recognised***	1,153	(973)
Other income taxes	7,718	908
Correction of tax return	(214)	(15)
Effect of change in tax rate	(4)	2
Impact of deferred tax exceptions on subsidiaries and goodwill****	156	124
Effect of previously unrecognised deductible temporary differences*****	(1,101)	(3,627)
Investment tax credit	(958)	(1,327)
Tax charge	**8,408**	**5,395**

* 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 19.

Investment tax credit

The Company would like to use investment tax credit in the amount of HUF 829 million regarding two projects in Budapest:

- Modernization of R&D related asset park (ending date: 2023);
- Expansion of manufacturing capacity of pharmaceutical products (ending date: 2020).

The equipment that formed part of both projects was commissioned.

There is still outstanding tax relief in connection with 'expansion of manufacturing capacity' project, which could be used based on the Act on CIT at latest in 2027.

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 2022 and 31 December 2021 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)

	2022	2021
Net consolidated profit attributable to owners of the parent (HUFm)	155,581	139,626
Weighted average number of ordinary shares outstanding (thousands)	186,333	186,008
Earnings per share (HUF)	**835**	**751**

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. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment). However, the entity might transfer the cumulative gain or loss within equity (Retained earnings).

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.

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.

There is a need to compare the risk of default at inception to the risk of default at the reporting date considering reasonable and supportable historic and forward looking information. Such an assessment can be done on an individual asset or groups of assets level, but needs to be consistently performed.
There is a rebuttable presumption that default will occur when the asset is 90 days overdue (i.e. asset becomes non-performing), and also that credit risk significantly increases since initial recognition when contractual payments are more than 30 days past due (i.e. the asset becomes underperforming). The impairment stage for the debtor is determined based on the length of the payment delay (30 or 90 day payment delay) and other information affecting credit quality (i.e. Russian-Ukrainian conflict, sanctions, negative equity etc.). All debtor's obligations are classified in the same impairment stage.
Impairments are described separately in Note 16, Note 18, Note 22, and Note 25.

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 37 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		31 December	
		2022	2021	2022	2021
		HUFm	HUFm	HUFm	HUFm
Financial assets measured at fair value[1]					
Financial assets measured at FVOCI					
Government securities, corporate bonds (debts)[2]	18, 26	28,979	38,318	28,979	38,318
Equity instruments	18	35,318	31,265	35,318	31,265
Investments	18	5,432	3,691	5,432	3,691
		69,729	**73,274**	**69,729**	**73,274**
Financial assets measured at FVTPL					
Government securities, corporate bonds[2] – designated as at FVTPL at initial recognition	17	61,715	76,778	61,715	76,778
Other financial asset (Mycovia)	17	6,009	7,873	6,009	7,873
Derivative financial instruments	11	30,559	9,378	30,559	9,378
Foreign currency forwards – cash-flow hedges	11	3,041	25	3,041	25
		101,324	**94,054**	**101,324**	**94,054**
Financial assets measured at amortised cost[1]					
Government securities, corporate bonds, deposits (debts)	16, 25	40,660	1,503	40,205	1,464
Loan receivables[3]	16, 25	24,857	4,744	24,857	4,744
Trade receivables	22	175,182	184,760	175,182	184,760
Cash and cash equivalents	28	79,719	59,856	79,719	59,856
		320,418	**250,863**	**319,963**	**250,824**

[1] All financial assets are free from liens and charges.
[2] 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.
[3] There is not significant different between the carrying value and fair value of the loan receivables.

	Notes	Carrying value 31 December		Fair value 31 December	
		2022	2021	2022	2021
		HUFm	HUFm	HUFm	HUFm
Financial liabilities measured at fair value					
Financial liabilities measured at FVTPL					
Debt on the issue of bonds	32, 39	41,068	55,693	41,068	55,693
Derivative financial instruments	11	25,525	8,555	25,525	8,555
Foreign currency forwards – cash-flow hedges	11	4,745	48	4,745	48
Other financial liabilities	32, 39	3,304	2,800	3,304	2,800
		74,642	**67,096**	**74,642**	**67,096**
Financial liabilities measured at amortised cost					
Trade payables	37	46,092	79,638	46,092	79,638
Lease liability	33	15,226	17,317	15,225	17,317
		61,318	**96,955**	**61,318**	**96,955**

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

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.

Market risk

Interest rate risk
As stated in Note 36 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; HUF, EUR and USD 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, almost 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 volatility of the financial result the Parent Company conducts USD and RUB FX roll forward deals for a part of the planned income.

In December 2021, the management decided to change its risk management policy in connection with these deals since that the Company applies hedge accounting. The purpose of hedge accounting is to mitigate the impact of potential volatility in the Consolidated Income Statement of the Group 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.

The most of royalty incomes are denominated in USD. The USD risk is one of the most important market risks for the company. The risk is managed in HUF, because this is functional currency of Company. The company has established guidelines for hedging instruments (derivatives) in order to manage its USD exchange rate risk. USD exchange rate risk is managed on a mid-term basis. The foreign exchange forward CF hedge derivatives are priced using spot plus forward points pricing (National Bank of Hungary (MNB) official daily exchange rate plus forward points according to Bloomberg Terminal).

The Company applied this hedging policy and accounting method during the Cash-Flow hedging settlement in 2022 and will continue to apply it in the following years as well.

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 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 nine principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ, Gedeon Richter (Schweiz) AG, and from 2022 Gedeon Richter Farma O.O.O). 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, Euro and US dollar showed higher volatility therefore according to the decision of the Management therefore in 2022 these currencies have been diverted in a reasonable level when determining the exchange rate combination (RUB, EUR, USD +/- 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:

2022	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	
110%	**433.05**												
		413.18	**1.05**	**87.29**	**83.11**	**6.34**	**433.44**	**0.86**	**16.73**	**57.99**	**32,268**	**32,907**	**largest growth**
		375.62	1.15	83.13	79.15	5.76	412.80	0.82	15.93	55.23	3,355	4,199	
		338.06	1.28	78.97	75.19	5.18	392.16	0.78	15.13	52.47	(25,558)	(24,509)	
100%	393.68												
		413.18	0.95	87.29	83.11	6.34	433.44	0.86	16.73	57.99	28,913	28,708	
		375.62	1.05	83.13	79.15	5.76	412.80	0.82	15.93	55.23	0	0	
		338.06	1.16	78.97	75.19	5.18	392.16	0.78	15.13	52.47	(28,913)	(28,708)	
90%	**354.31**												
		413.18	0.86	87.29	83.11	6.34	433.44	0.86	16.73	57.99	25,558	24,509	
		375.62	0.94	83.13	79.15	5.76	412.80	0.82	15.93	55.23	(3,355)	(4,199)	
		338.06	**1.05**	**78.97**	**75.19**	**5.18**	**392.16**	**0.78**	**15.13**	**52.47**	**(32,268)**	**(32,907)**	**greatest decrease**

* Change of EUR/HUF average exchange rates.

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.

Based on the yearly average currency rate sensitivity analysis of 2022 the combination of weak Hungarian Forint – 433.05 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 32,268 million on the Group's consolidated operating profit and HUF 32,907 million on the Group's consolidated profit for the year.
The greatest decrease HUF 32,268 million on operating and HUF 32,907 million on profit for the year would have been caused by the combination of exchange rates of 354.31 EUR/HUF against other currencies.

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.

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 nine principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, Gedeon Richter (Schweiz) AG, Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ and from 2022 Gedeon Richter Farma O.O.O). 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, Euro and US dollar therefore in 2022 these currencies have been diverted more when determining the exchange rate combinations (RUB, EUR, USD +/- 10%; all other +/- 5%).

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

2022	**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	
110%	**440.28**											
		413.25	**1.07**	**89.62**	**84.92**	**5.67**	**427.28**	**0.85**	**17.41**	**56.89**	**20,860**	**best case scenario**
		375.68	1.17	85.35	80.88	5.15	406.93	0.81	16.58	54.18	5,328	
		338.11	1.30	81.08	76.84	4.64	386.58	0.77	15.75	51.47	(10,204)	
100%	400.25											
		413.25	0.97	89.62	84.92	5.67	427.28	0.85	17.41	56.89	15,532	
		375.68	1.07	85.35	80.88	5.15	406.93	0.81	16.58	54.18	-	
		338.11	1.18	81.08	76.84	4.64	386.58	0.77	15.75	51.47	(15,532)	
90%	**360.23**											
		413.25	0.87	89.62	84.92	5.67	427.28	0.85	17.41	56.89	10,204	
		375.68	0.96	85.35	80.88	5.15	406.93	0.81	16.58	54.18	(5,328)	
		338.11	**1.07**	**81.08**	**76.84**	**4.64**	**386.58**	**0.77**	**15.75**	**51.47**	**(20,860)**	**worst case scenario**

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

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.

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 20,860 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 20,860 million.

In 2021 the worst-case scenario was 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 was 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.

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 result of the Group.

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

2022

	Currencies (all amounts in HUFm)								
	EUR	USD	CHF	RUB	RON	PLN	KZT	CZK	CNY
Loans receivable	16,669	642	-	-	-	63	-	-	-
Trade receivables	22,437	53,676	401	46,525	51,024	9,117	2,265	2,278	4,966
Financial assets	34,064	28,182	-	-	-	-	-	-	-
Other receivables	-	10,678	-	-	-	-	-	-	-
Bank deposits	7,854	8,845	954	5,073	3,571	1,492	1,108	500	2,546
Trade payables	(17,525)	(2,798)	(384)	(4,441)	(45,605)	(1,325)	(112)	(1)	(14)
Other liabilities	(7,013)	(2,491)	(30)	(104)	(900)	(808)	-	(13)	(1,193)
Lease liabilities	(3,209)	(205)	(257)	(2,249)	(948)	(324)	(61)	-	(302)
Total	**53,277**	**96,529**	**684**	**44,804**	**7,142**	**8,215**	**3,200**	**2,764**	**6,003**

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**

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 assesses the solvency and creditworthiness risk of its customers, determining the payment structure, payment terms and the scope of collateral required. The Group monitors its customers' receivables, in particular with regard to overdue exposures, and the validity and enforceability of collateral, in order to avoid credit losses. If the amount of the available contractual credit limit or credit line is exceeded by the customers, the shipments on credit 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 2022 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 2022** HUFm	**Type of security**		
		Credit insurance* HUFm	**Bank guarantee** HUFm	**L/C** HUFm
CIS	52,874	31,024	21,850	-
Europe	305	-	305	-
USA	-	-	-	-
China	26	26	-	-
Latin America	4,966	4,966	-	-
Other	2,101	1,876	28	197
Total	**60,272**	**37,892**	**22,183**	**197**

Regions	**Trade receivables secured as at 31 December 2021** HUFm	**Type of security**		
		Credit insurance* HUFm	**Bank guarantee** HUFm	**L/C** 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**	**-**

*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 related 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 60% 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 2022**			**31 December 2021**		
	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	-	A1	A	A
BNP Paribas Hungarian Branch*	Aa3	A+	-	Aa3	A+	A+
CIB Bank Zrt.	-	-	BBB	-	-	BBB
Citibank N.A.	Aa3	A+	-	Aa3	A+	A+
Commerzbank AG Frankfurt	A1	-	-	A1	BBB+	-
Erste Bank Hungary Zrt.	Baa1	-	BBB+	Baa1	-	BBB+
ING Bank N.V. Hungarian Branch*	Baa1	A+	A+	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 Russia	-	-	WD	-	-	BB+
Raiffeisen Bank Zrt.*	A3	-	-	A2	-	-

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

In 2022 the Parent Company invested into government and corporate bonds in the amount of HUF 168 billion that is presented as non-current financial assets in the Balance Sheet. These financial assets are hold at above listed high quality financial institutions. The other bank relations of the Group are widely dispersed, therefore the credit exposure with one financial institution is limited.
The Group has no significant concentration of credit risk, with its exposure spread over a large number of counterparties and customers.

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

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.

The liquidity risk of the Group was limited in 2022, since the cash and cash equivalents exceeded the current liabilities, and the current assets were higher than the total liabilities. In 2022 the stock of financial liabilities increased further due to the continuous renegotiation of standard derivative contracts (e.g. forward contracts) used by the Group 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 2022	**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	37	45,648	293	111	39	1	**46,092**	**46,092**
Lease liabilities	33	1,469	3,641	5,850	2,087	6,847	**19,894**	**15,227**
Debt on the issue of bonds	32, 39	-	1,225	1,228	3,675	74,168	**80,296**	**41,068**
Total non-derivatives		**47,117**	**5,159**	**7,189**	**5,802**	**81,015**	**146,282**	**102,387**
Derivatives								
Interest rate swap	11	(10)	37	(21)	(76)	257	**187**	**6,523**
Gross settled (foreign currency forwards – cash flow hedges) – gross outflows	11	21,410	52,117	20,507	-	-	**94,034**	**(1,704)**
Trading derivatives (foreign currency forwards) – gross outflows	11	2,227	3,890	-	-	-	**6,117**	**205**
Total derivatives		**23,627**	**56,044**	**20,486**	**(76)**	**257**	**100,338**	**5,024**

For the year 2023, 94% of cash outflows of the Parent Company are treated under hedge accounting. The intention is to cover 50% of the foreign currency denominated cash in-flows (royalty income) therefore the cash outflows occurring during this period do not represent an actual risk for the Company.

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	37	63,831	14,061	1,746	-	-	**79,638**	**79,638**
Lease liabilities	33	1,363	3,657	7,073	2,690	6,583	**21,366**	**17,318**
Debt on the issue of bonds	32, 39	-	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**

Net debt and EBITDA are presented and detailed in Note 9.2 and Note 41.

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:

	2022 HUFm	2021 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	4,231	3,835
Other, individually not significant bank guarantees	137	125

9.2 Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Note 36, 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 28 and the government securities and corporate bonds invested from the received amount of issue of bond detailed in Note 17, 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 2022 dividend per ordinary share is HUF 390 as proposed by the Board of Directors.

The capital risk of the Group was still limited in both 2022 and 2021, since the net cash position calculated as presented in Note 41, shows surplus in the balance sheet.

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

	31 December 2022 HUFm	31 December 2021 HUFm
Net cash (Note 41)	**72,484**	**49,075**
Total equity	1,060,352	923,022
Total capital	**1,132,836**	**972,097**
EBITDA	196,480	176,123
Net debt to EBITDA ratio	**0.37**	**0.28**
Net debt to equity ratio	**0.07**	**0.05**

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.

	2022 HUFm	2021 HUFm
Profit from operations	153,555	135,832
Depreciation (except for right-of-use asset)	42,925	40,291
EBITDA	**196,480**	**176,123**

10. Fair value of financial instruments

Accounting policy
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:

	Notes	31 December 2022				31 December 2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Financial assets									
Financial assets at FVTPL	**17**	**55,275**	**6,440**	**6,009**	**67,724**	**68,420**	**8,358**	**7,873**	**84,651**
Debt instruments		55,275	6,440	-	61,715	68,420	8,358	-	76,778
Other financial assets at fair value		-	-	6,009	6,009	-	-	7,873	7,873
Financial assets at FVOCI	**18, 26**	**69,729**	**-**	**-**	**69,729**	**73,274**	**-**	**-**	**73,274**
Debt instruments		28,979	-	-	28,979	38,318	-	-	38,318
Equity instruments		40,750	-	-	40,750	34,956	-	-	34,956
Derivative financial instruments	**11**	**30,559**	**3,041**	**-**	**33,600**	**9,378**	**25**	**-**	**9,403**
Interest rate swaps		30,313	-	-	30,313	9,107	-	-	9,107
Foreign currency forwards – trading derivatives		246	-	-	246	271	-	-	271
Foreign currency forwards – cash-flow hedges		-	3,041	-	3,041	-	25	-	25
Total financial assets held at fair value		**155,563**	**9,481**	**6,009**	**171,053**	**151,072**	**8,383**	**7,873**	**167,328**
Financial liabilities									
Financial liabilities at FVTPL	**32, 39**	**-**	**42,060**	**-**	**42,060**	**-**	**55,693**	**-**	**55,693**
Debt on issue of bonds		-	41,068	-	41,068	-	55,693	-	55,693
Other financial liabilities at fair value		-	992	-	992	-	-	-	-
Derivative financial instruments	**11**	**25,525**	**4,745**	**-**	**30,270**	**8,555**	**48**	**-**	**8,603**
Interest rate swaps		25,484	-	-	25,484	8,479	-	-	8,479
Foreign currency forwards – trading derivatives		41	-	-	41	76	-	-	76
Foreign currency forwards – cash-flow hedges		-	4,745	-	4,745	-	48	-	48
Total financial liabilities held at fair value		**25,525**	**46,805**	**-**	**72,330**	**8,555**	**55,741**	**-**	**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.

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 valuation method neither for Level 1, nor for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2022 and 2021.

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 2022 and 2021:

	Fair value at 31 December 2022 HUFm	Valuation technique	Inputs	Range of inputs (weighted average)	Sensitivity of fair value measurement
Assets at fair value					
Other financial asset Mycovia	6,009	Discounted cash flows (DCF)	· Estimated future profit*		The higher estimated future profits, the higher the fair value.
			· Foreign currency rate	375.68 HUF/USD	The higher the FX rate the higher the fair value
			· Discount rate	15.59 %	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**6,009**				

	Fair value at 31 December 2021 HUFm	Valuation technique	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**				

* Unobservable input

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 the direction and degree of change in the fair value. 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. Except in the event that the given derivative transaction has been classified as a hedging instrument by the Group and the hedging instrument is effective, since in this case the timing of settlement against the result depends on the nature of the hedging relationship. The cumulative change in the fair value of the hedging instrument appears in Other comprehensive income (OCI) until the time of recognition of the hedged item (royalty income). The Group uses the option of hedge accounting, the purpose of which is to reduce the impact of volatility arising from exchange rate changes in very likely future foreign currency cash flows. The Group accounts for the effect of the hedged item and the hedging instrument against each other 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 current assets and current liabilities.

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	2,211
Interest rate swap (HUF)	10,000,000,000	2029	3,626
Interest rate swap (HUF)	3,500,000,000	2030	1,292
Interest rate swap (HUF)	49,000,000,000	2031	18,777
Interest rate swap (HUF)	2,000,000,000	2026	59
Interest rate swap (EUR)	10,000,000	2027	622
Interest rate swap (EUR)	13,775,000	2029	1,015
Interest rate swap (EUR)	25,000,000	2035	2,711
Total			**30,313**

Liabilities

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	(2,211)
Interest rate swap (HUF)	10,000,000,000	2029	(3,414)
Interest rate swap (HUF)	3,500,000,000	2030	(1,292)
Interest rate swap (HUF)	49,000,000,000	2031	(18,567)
Total			**(25,484)**

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.

In 2021 the Group recognized 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 2022 HUFm	31 December 2021 HUFm
Assets		
Long-term derivative financial instruments		
Interest rate swaps	30,313	9,107
Foreign currency forwards – cash flow hedges	1,133	-
Short-term derivative financial instruments		
Foreign currency forwards – trading derivatives	246	271
Foreign currency forwards – cash flow hedges	1,908	25
Total derivative financial assets	**33,600**	**9,403**
Liabilities		
Long-term derivative financial instruments		
Interest rate swaps	(25,484)	(8,479)
Foreign currency forwards – cash flow hedges	-	(39)
Short-term derivative financial instruments		
Foreign currency forwards – trading derivatives	(41)	(76)
Foreign currency forwards – cash flow hedges	(4,745)	(9)
Total derivative financial liabilities	**(30,270)**	**(8,603)**

Amounts recognised in profit or loss

There were reclassifications from the cash-flow hedge reserve to profit or loss (Revenues) during the year 2022 in relation to royalty incomes and 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.

In 2022, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2022 is HUF 1,704 million (HUF 23 million in 2021). This resulted in an increase in liabilities of HUF 1,681 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 29 (Cash-flow hedge reserve).

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 forwards	**31 December 2022**	**31 December 2021**
Carrying amount of the hedging instrument – liabilities (HUFm)	(1,704)	(23)
Notional amount (USD)	241,425,000	200,000,000
Maturity date	2023/2024	2022/2023
Hedge ratio*	100%	100%
Change in the fair value of outstanding hedging instruments since inception of the hedge	(1,681)	(23)
Weighted average forward rate for outstanding hedging instruments (including forward points)	389.50	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 year.

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 or research and development 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 expenses".

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".

	31 December 2022 HUFm	**31 December 2021** HUFm
Property, plant and equipment without Right-of-use assets	301,478	261,719
Right-of-use assets	14,471	16,675
Total	**315,949**	**278,394**

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 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**

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2021	**205,413**	**351,468**	**32,412**	**589,293**
Translation differences	4,813	6,753	817	**12,383**
Additions	9,668	24,015	(33,683)	**-**
Transfers and capital expenditure	16,691	3,086	59,356	**79,133**
Disposals	(14,231)	(13,525)	(15)	**(27,771)**
Disposal of subsidiary	(924)	(3,374)	(22)	**(4,320)**
at 31 December 2022	**221,430**	**368,423**	**58,865**	**648,718**
Accumulated depreciation				
at 31 December 2021	**67,431**	**260,143**	**-**	**327,574**
Translation differences	1,182	4,544	-	**5,726**
Current year depreciation	6,224	19,586	-	**25,810**
Net foreign currency exchange differences	(31)	(129)	-	**(160)**
Disposals	1,709	(10,647)	-	**(8,938)**
Disposal of subsidiary	(472)	(2,300)	-	**(2,772)**
at 31 December 2022	**76,043**	**271,197**	**-**	**347,240**
Net book value				
at 31 December 2021	**137,982**	**91,325**	**32,412**	**261,719**
at 31 December 2022	**145,387**	**97,226**	**58,865**	**301,478**

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.

Set out below are the carrying amount of right-of-use assets recognised and the movements during the year:

	Building HUFm	Land HUFm	Machinery HUFm	Office equipment HUFm	Vehicles HUFm	Total HUFm
Net book value as at 1 January 2021	**9,546**	**1,427**	**7**	**58**	**3,097**	**14,135**
Additions	3,954	96	11	3	3,107	7,171
Current year depreciation	(2,770)	(21)	(5)	(15)	(1,820)	(4,631)
Net book value as at 31 December 2021	**10,730**	**1,502**	**13**	**46**	**4,384**	**16,675**
Additions/(disposal)	499	150	(7)	87	2,711	3,440
Current year depreciation	(3,260)	(24)	(5)	(16)	(2,339)	(5,644)
Net book value as at 31 December 2022	**7,969**	**1,628**	**1**	**117**	**4,756**	**14,471**

13. 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 related 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 2021	**31,398**
Exchange differences	3,612
Impairment charged for the year	(5)
At 31 December 2021	**35,005**
At 1 January 2022	35,005
Decrease deriving from sale of subsidiary	(1,115)
Exchange differences	2,103
Impairment charged for the year	(892)
At 31 December 2022	**35,101**

The above mentioned impairment was charged in pharmaceutical segment related to Gedeon Richter Mexico, S.A.P.I. de C.V.

Closing goodwill on Cash Generating Units (Companies)

	31 December 2022 HUFm	31 December 2021 HUFm
Pharmaceuticals segment		
Gedeon Richter Polska Sp. z o.o.	1,276	1,201
Richter-Helm BioLogics GmbH & Co. KG	127	117
GRMed Company Ltd.	32,649	30,889
Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	59	48
Gedeon Richter Mexico, S.A.P.I. de C.V	929	1,661
Wholesale and retail segment		
Armedica Trading Group	-	1,028
Other segment		
Pesti Sas Holding Kft.	61	61
Total	**35,101**	**35,005**

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. was profitable on consolidated level in 2022. 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 2022 similar to 2021. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

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 2022 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 (2023-2032) due to the average annual 3.4% growth in turnover.

The present value of the 2023-2032 cash-flows and (by applying a conservative estimate of) residual value reckoning with 0% growth is 15% above the tested amount. The book value of goodwill as of 31 December 2022 amounts to HUF 32,649 million.

The discount rate (post tax 2022: 8.9%; 2021: 4.9%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash-flow estimates have not been adjusted.

An increase in post-tax discount rate to 10.1% or a 3.1% 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 2022 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 lower 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 (2023-2032), 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 total impairment expense accounted is HUF 1,077 million and the book value of goodwill amounts to HUF 929 million as of 31 December 2022.

The discount rate (post tax in 2022: 11.9%; in 2021: 7.3%) 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.

14. 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 (related 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 expenses".

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".

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 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 amortisation	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.

	Rights	Intellectual property	Research and development	ESMYA*	BEMFOLA**	COLIEF***	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Gross value							
at 31 December 2021	**305,550**	**6,544**	**423**	**88,372**	**53,613**	**-**	**454,502**
Translation differences	1,794	319	-	-	-	(45)	**2,068**
Additions	33,422	786	-	-	-	2,793	**37,001**
Disposals	(21,990)	(204)	-	-	-	-	**(22,194)**
Disposal of subsidiary	(6,139)	(619)	-	-	-	-	**(6,758)**
at 31 December 2022	**312,637**	**6,826**	**423**	**88,372**	**53,613**	**2,748**	**464,619**
Accumulated depreciation							
at 31 December 2021	**127,877**	**5,119**	**423**	**88,372**	**11,796**	**-**	**233,587**
Translation differences	1,519	228	-	-	-	-	**1,747**
Current year amortisation	14,322	343	-	-	2,145	305	**17,115**
Net foreign currency exchange differences	(6)	5	-	-	-	(18)	**(19)**
Impairment and reversal of impairment (net)	18,681	-	-	-	-	-	**18,681**
Disposals	10	(81)	-	-	-	-	**(71)**
Disposal of subsidiary	(2,754)	(381)	-	-	-	-	**(3,135)**
at 31 December 2022	**159,649**	**5,233**	**423**	**88,372**	**13,941**	**287**	**267,905**
Net book value							
at 31 December 2021	**177,673**	**1,425**	**-**	**-**	**41,817**	**-**	**220,915**
at 31 December 2022	**152,988**	**1,593**	**-**	**-**	**39,672**	**2,461**	**196,714**

* 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.
*** The COLIEF presented as separate subcategory within the intangible assets represents the intangible asset recognized at the acquisition of SHE Healthcare Company Limited.

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 5 years, in 2021 it was 6 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 38,466 million as of 31 December 2022.
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 1,206 million as of 31 December 2022.

COLIEF
A new intangible asset was recognised at the acquisition of SHE Healthcare Company Ltd. in an amount of HUF 2,793 million (CNY 50.7 million) with an approximately 6 years useful life. The amortization started in May 2022.

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

Net book value	**31 December 2022** HUFm	**31 December 2021** HUFm
EVRA	69,367	73,198
Relugolix	21,881	20,856
Mithra/Drovelis	21,005	19,176
Grünenthal	12,387	16,623
Mycovia	-	7,635
Mifepristone	-	4,938
Bemfola®/Afolia	4,236	4,443
Tocilizumab	-	3,891
Other, individually not significant commercial rights	12,666	13,739
Total commercial rights	**141,542**	**164,499**
Pharmacy licenses	-	2,863
Other, individually not significant rights	11,446	10,311
Total	**152,988**	**177,673**

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 263.5 million. 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 2022 is HUF 69,367 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. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 12,429 million as of 31 December 2022. For the part of intangible assets which are not in use (net book value at 31.12.2022 is HUF 9,453 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 Drovelis®, 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. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 17,339 million as of 31 December 2022. For the part of intangible assets which are not in use (net book value at 31.12.2022 is HUF 3,666 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 12,387 million as of 31 December 2022 and HUF 16,623 million as of 31 December 2021.

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.

In 2022, due to the risks identified during non-clinical trials which affected significantly the product's sales potential. Therefore 100% impairment has been accounted for in relation with the Mycovia intangible asset. The total impairment expense accounted is HUF 8,677 million and the carrying value of the Mycovia intangible asset is HUF 0.

Rights – Mifepristone

In 2022, 100% impairment has been accounted for in relation with the Mifepristone intangible asset, due to results of clinical trials which gave rise to additional risks, which are anticipated to diminish the long-term return of the investment. The total impairment expense accounted is HUF 4,938 million and the carrying value of the Mifepristone intangible asset is HUF 0.

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 2022, we performed impairment test for the remaining intangible assets of HUF 4,236 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.

As of 31.12.2022 we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. 100% impairment has been accounted for in relation with the Tocilizumab intangible asset due to expected delay in the launch of the Product and higher anticipated costs of manufacturing. The total impairment expense accounted is HUF 5,355 million and the carrying value of the Tocilizumab intangible asset is HUF 0.

15. 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.

	2022 HUFm	2021 HUFm
At 1 January	**10,800**	**12,269**
Share of profit of associates and joint ventures	6,150	3,111
Net investments*	(3,990)	(1,433)
Dividend	(2,770)	(2,353)
Impairment	-	(741)
Exchange difference	(909)	(53)
At 31 December	**9,281**	**10,800**
Investment in associates	11,521	11,042
Investment in and loans given to joint ventures	1,962	1,540

* 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 of 31 December 2022, 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. As of 31 December 2022, there were no significant changes in the economic circumstances and assumptions related to the evaluation of the Company's investment PrimaTemp, therefore no reversal of previously accounted impairment was deemed to be necessary.

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.

	2022 HUFm	2021 HUFm
Opening net assets at 1 January of Hungaropharma Zrt.	**29,239**	**28,084**
Profit for the year*	3,586	1,988
Dividends	(712)	(833)
Closing net assets at 31 December of Hungaropharma Zrt.	**32,113**	**29,239**
Interest in associate (at 30.85%)	9,922	9,034
Unrealised profit elimination	(110)	(132)
Interest in other associates	1,709	2,140
Carrying value at 31 December	**11,521**	**11,042**

* 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	%
2022									
Hungaropharma Zrt.	Hungary	Pharmaceutical wholesale	18,141	81,289	5,505	60,876	460,858	5,126	30.85
Salvia-Med Bt.	Hungary	Pharmaceutical retail	1	98	-	47	771	40	32.79
Szondi Bt.	Hungary	Pharmaceutical retail	31	164	-	34	535	25	33.00
Top Medicina Bt.	Hungary	Pharmaceutical retail	26	45	-	31	429	5	20.00
Pharmatom Kft.	Hungary	Biotechnological research, development	438	1	-	449	-	(3)	24.00
Pesti Sas Patika Bt.	Hungary	Pharmaceutical retail	2	17	-	18	153	(0)	49.00
Evestra Inc.	USA	Biopharmaceutical research, development	1,854	5,207	-	1,948	-	(3,319)	35.31
Prima Temp Inc.	USA	Pharmaceutical research, development	329	129	94	2,272	1,195	(192)	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	%
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
Prima Temp Inc.	USA	Pharmaceutical research, development	286	111	81	1,970	971	(156)	22.99

The financial statements for 2022 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2021 has not been amended in 2022 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2021.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2022 and 2021).

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	%
2022										
Medimpex Irodaház Kft. *	Hungary	Renting real estate	2,131	358	83	253	354	84	-	50.00
Richter-Helm BioTec Management GmbH	Germany	Asset management	-	6	-	1	-	(1)	-	50.00
Richter-Helm BioTec GmbH & Co. KG	Germany	Trading of biotech products, Marketing services	-	10,401	14,057	1,135	9,796	8,279	447	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	%
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

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

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

16. Non-current financial assets at amortised cost

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

16.1 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 instrument, 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.

See Note 9 for the presentation of the model used for the impairment of financial assets.

	31 December 2022 HUFm	31 December 2021 HUFm
Loans given to related parties and other investments	7,175	2,756
Other loans given	776	1,087
Total	**7,951**	**3,843**

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

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

	Loans given to related parties and other investments HUFm	Other loans given HUFm
At 1 January 2021	13	-
Loss allowances	147	23
At 31 December 2021	**160**	**23**
At 1 January 2022	160	23
Loss allowances	1	-
Reversal of impairment	-	(23)
At 31 December 2022	**161**	**-**

16.2 Government securities, corporate bonds and long-term deposits 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 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	1,546	1,492
Long-term deposits	11,304	-
Total	**12,850**	**1,492**

17. Non-current financial assets at FVTPL

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

	31 December 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	61,715	76,778
Other financial asset (Mycovia)	6,009	7,873
Total	**67,724**	**84,651**

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.

In 2021 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 2021. The fair value of Mycovia financial assets was HUF 6,009 million at 31 December 2022 and HUF 7,873 million at 31 December 2021.

18. Non-current financial assets at FVOCI

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

	31 December 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	27,443	38,318
Equity instruments	35,318	31,265
Investments	5,432	3,691
Total	**68,193**	**73,274**

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 and applies the fair value option for these instruments, which are investments in Exchange Traded Funds. The received dividend was HUF 313 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 are signs to make impairment for assets presented in FVOCI model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Group. The Group has three Russian financial instruments that are directly or indirectly affected. Two of these are recorded at other comprehensive income (OCI). During the calculation of the expected credit loss (ECL), the Group applied the DCF model and calculated an ECL according to the differences between the present values of the expected future cash flows and the fair values quoted in the market. The differences (HUF 276 million) were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in Stage 1, the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model.

In 2022 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 2,124 million revaluation gain was recorded against revaluation reserve for financial assets at FVOCI in 2022. A closing fair value is HUF 5,410 million.

19. 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 2022	31 December 2021
	HUFm	HUFm
Deferred tax assets	15,878	12,285
Deferred tax liabilities	(3,928)	(3,798)

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 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**
(Debited)/credited to the income statement	(204)	32	(128)	(1,525)	4,920	**3,095**
(Debited)/credited to other comprehensive income*	-	(115)	-	599	-	**484**
Exchange differences	(28)	29	1	79	-	**81**
Transfer	(61)	(1)	7	(12)	-	**(67)**
31 December 2022	**1,062**	**709**	**101**	**2,347**	**11,659**	**15,878**

Deferred tax liabilities	PPE and intangible assets	Provision	Impairment	COLIEF	BEMFOLA	Other temporary differences	Total
	HUFm	HUFm	HUFm		HUFm	HUFm	HUFm
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**
Acquisition of subsidiary	-	-	-	453	-	-	**453**
(Debited)/credited to the income statement	(51)	1	1	(50)	(176)	96	**(179)**
(Debited)/credited to other comprehensive income*	-	-	-	-	-	191	**191**
Exchange differences	22	(1)	(1)	3	-	13	**36**
Classified as liabilities directly associated with assets classified as held for sale	(304)	-	-	-	-	-	**(304)**
Transfer	(69)	(1)	7	-	-	(4)	**(67)**
31 December 2022	**(221)**	**(10)**	**(4)**	**406**	**3,224**	**533**	**3,928**

* Deferred tax assets and liabilities debited/credited to other comprehensive income was HUF 293 (gain) million in 2022 and HUF 412 million (loss) in 2021, out of which accounted through revaluation reserve HUF 408 (gain) million in 2022 and HUF 197 million (loss) in 2021 (see Note 29) and HUF 115 (loss) million in 2022 and HUF 269 million (loss) in 2021 presented through retained earnings.

From the deferred tax balance presented above it is expected that HUF 3,399 million (in 2021 HUF 3,572 million) of the liabilities and HUF 1,771 million (in 2021 HUF 2,119 million) of the assets will reverse after 12 months.

The balance of deferred tax assets increased in the reporting period compared to 2021 - where the Parent Company had significant deductible temporary differences -, mainly due to the amount of deferred tax realized on Unrealized profit elimination. While in 2021 the reason of the increase was the recognition of approximately HUF 5,000 million deferred tax asset for unused tax losses at The Parent Company.

There was significant tax loss carried forward at Romanian subsidiaries (in the amount of HUF 8,628 million) on which no deferred tax assets have been recognized as of 31 December 2022. This would have resulted in a deferred tax asset in the amount of HUF 1,380 million. In 2021 the Romanian subsidiaries had HUF 7,639 million unused tax loss (that would have resulted in HUF 1,222 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 783 million, between 3 and 5 years HUF 425 million over 5 years HUF 172 million.

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

20. Other 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 related 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 related 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 on a straight-line basis over the expected useful live of the related assets.

The Group was granted government grant related to property, plant and equipment and research and development activities. As at the end of 2022 HUF 2,346 million was approved but not financially settled, due over one year as long-term receivables (at the end of 2021 it was HUF 1,706 million). Current portion of related asset is disclosed in Note 24.

	31 December 2022 HUFm	31 December 2021 HUFm
Government grants	2,346	1,706
Loans given to employees	811	838
Other long-term receivables	275	240
Total	**3,432**	**2,784**

21. 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 2022 HUFm	31 December 2021 HUFm
Raw materials, packaging and consumables	74,523	66,814
Production in progress	3,075	3,601
Semi-finished and finished goods	75,737	60,934
Total	**153,335**	**131,349**

Inventories include impairment and scrapping in value of HUF 9,613 million and reversal of impairment in value of HUF 1,350 million in 2022 (HUF 5,596 million impairment and scrapping and HUF 872 million reversal was made in 2021).
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 2022, the total carrying amount of inventories that are valued at net realisable value amounts to HUF 6,047 million (in 2021 it was HUF 11,104 million).
All items of Inventories are free from liens and charges.

22. 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 2022 HUFm	31 December 2021 HUFm
Trade receivables (3rd parties)	171,765	180,952
Amounts due from related companies and other investments	3,417	3,808
Total	**175,182**	**184,760**

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

	2022 HUFm	2021 HUFm
At 1 January	**4,286**	**4,788**
Loss allowances for receivables	199	259
Reversal of impairment for trade receivables	(1,477)	(745)
Exchange difference	(58)	(16)
Reclassified as held for sale*	(1,096)	-
At 31 December	**1,854**	**4,286**

* Both opening value of impairment, current year allowance and reversal of impairment accounted at Pharmafarm S.A. and Gedeon Richter Farmacia S.A. had been reclassified as Assets classified as held for sale.

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 2022 nor in 2021.

Impairment of trade receivables (HUFm)

31 December 2022	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	0.10%	0.30%	0.93%	6.01%	4.58%	82.24%	**1.05%**
Gross carrying amount – trade receivables	163,809	6,687	3,661	549	393	1,937	**177,036**
Loss allowance	156	20	34	33	18	1,593	**1,854**

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**

23. 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 2022 HUFm	31 December 2021 HUFm
Contract assets	6,150	3,865
Total	**6,150**	**3,865**

24. Other current assets

	31 December 2022 HUFm	31 December 2021 HUFm
Loans given to employees	308	548
Other receivables	21,128	7,701
Tax and duties recoverable	5,495	7,442
Advances	8,476	9,910
Prepayments	5,713	4,873
Total	**41,120**	**30,474**

The Group presents approved but not financially settled government grants amount of HUF 2,243 million due within 1 year, related to acquisition of property, plant and equipment and research and development activities (in 2021 it was HUF 2,727 million). Accounting principles of Government grants are described in Note 20.

25. Current financial assets at amortised cost

Accounting principles of Current financial assets at amortised cost are described more specifically in Note 9 and 16.

	31 December 2022 HUFm	31 December 2021 HUFm
Loans given to related parties and other investments	422	348
Other loans given	16,484	553
Government securities, corporate bonds	27,810	11
Total	**44,716**	**912**

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 are signs to make impairment for assets presented in AC model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Group. The Group has three Russian financial instruments that are directly or indirectly affected. One of these is recorded at amortized cost. During the calculation of the expected credit loss (ECL), the Group applied the DCF model and calculated an ECL according to the differences between the present values of the expected future cash-flows and book value at amortized cost. The difference (HUF 21 million) was impaired in the P&L. There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in Stage I. and the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model.

The loss allowance related to current loan receivables is detailed in Note 16.

26. Current financial assets at FVOCI

Accounting principles of Current financial assets at FVOCI are described more specifically in Note 9.

	31 December 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	1,536	-
Total	**1,536**	**-**

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 were no current financial assets at FVOCI in 2021.

27. 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 2022 HUFm	31 December 2021 HUFm
Current tax assets	4,844	1,110
Current tax liabilities	(3,848)	(2,722)

28. 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 2022 HUFm	31 December 2021 HUFm
Bank deposits	79,622	59,759
Cash on hand	97	97
Total (Note 9)	**79,719**	**59,856**

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 60%) held by the Parent Company out of which major part is short-term demand deposit and bank 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 2022 HUFm	31 December 2021 HUFm
Balances as above	79,719	60,050
Cash and cash equivalents of disposal groups classified as held for sale (Note 49)	960	(194)
Balances per statement of cash flows	**80,679**	**59,856**

29. 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 2022		31 December 2021	
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 2022:

Ordinary shares	**Ownership** number	**Voting rights*** %	**Share capital** %
Domestic ownership	**62,278,172**	**33.42**	**33.42**
State ownership total	126	0.00	0.00
out of which Municipality	126	0.00	0.00
Institutional investors	54,918,917	29.47	29.47
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	7,359,129	3.95	3.95
International ownership	**123,657,438**	**66.35**	**66.34**
Institutional investors	123,442,704	66.24	66.23
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	214,734	0.11	0.11
Treasury shares and shares transferred to ESOT**	**428,650**	**0.22**	**0.23**
Undisclosed ownership	**10,600**	**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 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 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.

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 related 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 18 and 26), 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 1 January 2021	**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**
Current year change in the fair value of derecognised equity instrument	(2,375)
Changes in fair value of debt instruments at FVOCI	(3,301)
Changes in the fair value of equity instruments at FVOCI	928
Reserve of derecognised debt instrument	2,782
Reserve of derecognised equity instrument	(127)
Deferred tax effect	408
At 31 December 2022	**(339)**

Deferred tax is accounted for, related to the taxable temporary difference of the investments carried at FVOCI (see details in Note 19).

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).
The effective portion is accounted at fair value on the balance sheet date. On termination of hedging relationship, the accumulated result is reclassified from cash flow hedge reserve to profit or loss (revenue). The subsequent financial exchange rate effects on the foreign exchange transaction are recognized in the unrealized financial result of the cash-flow hedging transaction until the transaction is closed, when it is reclassified to realized financial result.

	Foreign exchange risk HUFm
At 1 January 2021	
Change in fair value of hedging instrument recognised in OCI	(23)
At 31 December 2021	**(23)**
Change in fair value of hedging instrument recognised in OCI	(8,432)
Reclassified from OCI to profit or loss - hedged item has affected profit or loss	9,275
from this reclassified to operating profit or loss (correction of the royalty revenue)	9,180
from this reclassified to the realised finance loss	95
At 31 December 2022	**820**

In 2022, an amount of HUF 8,455 million fair value difference was accumulated in Other comprehensive income, of which HUF 23 million was in 2021 and HUF 8,432 million in 2022. From this reserve, HUF 9,180 million was transferred to revenue correction during the current financial year, and a loss of HUF 95 million to the realized financial result at the time when the royalty income was settled. The closing value of the positive revaluation of open deals on December 31, 2022, amounts to HUF 820 million.

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 30. 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 30 Treasury shares.

	2022 HUFm	2021 HUFm
Expense recognized in current year	1,552	1,590
Treasury share given (Note 30)	2,065	1,748
Total changes in reserve presented in the Consolidated Statement of Changes in Equity	**(513)**	**(158)**

The cost of the cash-settled share-based payment program was HUF 1,478 million, while in 2021 it was HUF 1,995 million.

30. 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 29.

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 2021 and 2022, 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 2022, 9,240 shares were granted to 255 key employees of the Company while in 2021 6,980 shares were granted to 190 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 2021 and in 2021 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2022, and HUF 1.6 billion in 2021. 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 cannot 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 2022), the Company granted 281,392 treasury shares to 4,847 employees in 2022. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2025 which means the end of vesting period. In 2021 212,693 shares were granted to 4,783 employees deposited on their accounts until 2 January 2024.

The AGM held on 12 April 2022 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 157,665 treasury shares during the year.

Treasury shares	**2022** Numbers	**2021** Numbers
at 1 January	**535,233**	**631,118**
Out of these, number of shares owned by subsidiaries	*3,000*	*5,500*
Share purchase	157,665	104,759
Transferred as part of bonus program	(9,240)	(6,980)
Granted pursuant to employee share bonuses	(281,392)	(212,693)
Shares of the employees share bonus that have not vested	26,384	19,029
at 31 December	**428,650**	**535,233**
Out of these, number of shares owned by subsidiaries	*3,000*	*3,000*

Book value	**2022** HUFm	**2021** HUFm
at 1 January	**2,862**	**3,791**
Share purchase	1,326	819
Transferred as part of bonus program	(67)	(58)
Granted pursuant to employee share bonuses	(2,201)	(1,851)
Shares of the employees share bonus that have not vested	203	161
at 31 December	**2,123**	**2,862**

31. 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 2022 is HUF 10,446 million (in 2021 HUF 8,136 million), of which HUF 7,931 million (in 2021 HUF 6,137 million) is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,868 million (in 2021 HUF 1,544 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.

2022	**Medimpex West Indies Ltd. (12)*** HUFm	**Richter-Helm BioLogics GmbH & Co. KG (22)*** HUFm
Accumulated non-controlling interest	1,868	7,931
Non-current assets	2,680	29,753
Current assets	3,284	15,313
Non-current liabilities	30	13,905
Current liabilities	1,174	5,352
Revenues	5,366	23,442
Profit/(loss)	460	4,191
Dividends paid	276	-
Total cash-flow	248	1,063

2021	**Medimpex West Indies Ltd. (12)*** HUFm	**Richter-Helm BioLogics GmbH & Co. KG (22)*** 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)

* Number indicates to line number of Note 31.1

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.

31.1 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
			2022	2021	2022	2021	
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	Richter-Helm BioLogics GmbH & Co. KG	Germany	70,00	70,00	70,00	70,00	Biotechnological manufacturing and research
23	Richter-Helm BioLogics Management GmbH	Germany	70,00	70,00	70,00	70,00	Asset management
24	Medimpex UK Ltd.	UK	100,00	100,00	100,00	100,00	Pharmaceutical trading
25	Farnham Laboratories Ltd.(1)	UK	100,00	100,00	100,00	100,00	Pharmaceutical trading
26	Gedeon Richter Aptyeka SP OOO	Armenia	51,00	51,00	51,00	51,00	Pharmaceutical trading
27	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
			2022	2021	2022	2021	
28	LLC Gedeon Richter Ukraine	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail
29	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
30	PregLem S.A[2]	Switzerland	-	100.00	-	100.00	Manufacturing and research
31	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
32	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
33	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
34	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
35	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
36	Pharmarichter OOO[3]	Russia	-	100.00	-	100.00	Pharmaceutical sales promotion
37	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
38	PregLem France SAS	France	100.00	100.00	100.00	100.00	Management services
39	Gedeon Richter, trzenje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
40	Gedeon Richter Benelux	Belgium	100.00	100.00	100.00	100.00	Marketing services
41	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
42	Gedeon Richter KZ LLP	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
43	GRmed Company Ltd. (Hongkong)	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
44	Gedeon Richter Pharmaceutical (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
45	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading
46	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
47	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
48	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
49	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
50	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
51	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
52	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
53	Gedeon Richter Bolivia SRL[1]	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
54	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
			2022	2021	2022	2021	
55	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
56	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
57	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services
58	Gedeon Richter Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
59	Gedeon Richter Bulgaria eood	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
60	Gedeon Richter Farma O.O.O	Russia	100.00	100.00	100.00	100.00	Marketing services
61	Pharmapolis Gyógyszeripari Tudományos Park Kft.(3)	Hungary	-	100.00	-	100.00	Building project management
62	Forhercare Kft.	Hungary	100.00	100.00	100.00	100.00	Pharmaceutical retail
63	Gedeon Richter Vietnam Ltd	Vietnam	100.00	100.00	100.00	100.00	Pharmaceutical trading,marketing services

(1) The company's principal activity has been suspended.
(2) The company merged into Gedeon Richter (Schweiz) AG in 2022Q1
(3) The company had been liquidated in 2022.

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
				2022	2021	2022	2021	
64	SHE Healthcare Company Ltd	05. 2022	Hong-Kong	100.00	-	100.00	-	Pharmaceutical trading, marketing services
65	SHE Healthcare (Shanghai) Company Limited	05. 2022	China	100.00	-	100.00	-	Pharmaceutical trading, marketing services
66	Farmage Dominicana S.R.L.	07.2022	Dominican Republic	100.00	-	100.00	-	Pharmaceutical trading, marketing services

32. 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 2022 HUFm	31 December 2021 HUFm
Debt on issue of bonds	39,843	54,468
Other financial liabilities at FVTPL	1,673	833
Total	**41,516**	**55,301**

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 39,843 million on 31 December 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.

33. 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 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.

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).

	31 December 2022 HUFm	**31 December 2021** HUFm
Lease liability (long-term)	10,789	12,722
Lease liability (short-term)	4,437	4,595
Total	**15,226**	**17,317**

In 2021 and in 2022 the Group leases various offices, warehouses, land, parking places, energy systems, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 11 months to 95 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

The Consolidated Income Statement includes HUF 1,459 million expenses from short-term, low-value and variable lease payments (in 2021 it was HUF 994 million).

34. Other non-current liabilities and accruals

Accounting principles of Government grants are described more specifically in Note 20.

	31 December 2022 HUFm	31 December 2021 HUFm
Government grants - deferred income	6,873	6,894
Government grants – prepayments received	1,560	-
Premium of Bond Funding for Growth Scheme	5,197	5,927
Other non-current liabilities 3rd parties	4	9
Total	**13,634**	**12,830**

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 32.

35. 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 related 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 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
- for other long-term employee benefits (jubilee bonus)
- 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 2022 HUFm	**31 December 2021** HUFm
Short-term provisions	2,153	3,121
Long-term provisions – for retirement and other long-term benefits*	5,079	5,878
from this defined retirement benefit plans at the Parent	*2,835*	*3,824*
from this defined retirement benefit plans at GR Polska	*1,071*	*716*
from this defined retirement benefit plans at GR Schweiz	*160*	*270*
from this defined retirement benefit plans at GR Ecuador	*47*	*42*
from this defined retirement benefit plans at GR Mexico	*204*	*-*
from this defined retirement benefit plans at GR Bulgaria	*11*	*14*
Total	**7,232**	**8,999**

* 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 is 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.

	2022 HUFm	**2021** HUFm
Opening value of retirement benefit	3,824	4,350
Interest costs (charged to the P&L)	122	122
Current service costs (charged to the P&L)	197	197
Settlement	(202)	(129)
Actuarial (gain) (charged to the OCI)	(1,106)	(716)
Retirement benefit liability	**2,835**	**3,824**

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 2022 and 2021.

Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate
1	13.09%	11	8.69%	21	8.09%	31	7.88%	41	7.77%
2	12.28%	12	8.58%	22	8.06%	32	7.86%	42	7.76%
3	11.40%	13	8.50%	23	8.03%	33	7.85%	43	7.75%
4	10.68%	14	8.42%	24	8.01%	34	7.84%	44	7.74%
5	10.13%	15	8.35%	25	7.98%	35	7.83%	45	7.74%
6	9.71%	16	8.30%	26	7.96%	36	7.81%	46	7.73%
7	9.40%	17	8.24%	27	7.94%	37	7.80%	47	7.72%
8	9.16%	18	8.20%	28	7.92%	38	7.79%	48	7.72%
9	8.97%	19	8.16%	29	7.91%	39	7.78%	49	7.71%
10	8.82%	20	8.12%	30	7.89%	40	7.78%	50	7.71%

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 2022 and 2021:

Age	Annual average rate of fluctuation	
	2022	2021
0-25	11.8%	9.9%
26-30	10.9%	9.0%
31-35	8.9%	7.2%
36-40	8.0%	5.9%
41-45	6.5%	4.6%
46-50	5.0%	3.2%
51-55	4.2%	2.6%
56-60	3.5%	2.3%
61-	3.4%	2.3%

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		**2,835**	
Reduced discount curve	-0.50%	2,972	5%
Increased discount curve	0.50%	2,708	-4%
Lower inflation rate	-0.50%	2,705	-4%
Higher inflation and index rate	0.50%	2,989	5%
Reduced rate of fluctuation	75%	3,159	11%
Increased rate of fluctuation	125%	2,563	-9%
Mortality data	100%	2,668	-5%

A 50 basis point shift in the discount curve results in a 5% higher or 4% lower liability value. A 50 basis point decrease in wage inflation results in a 4% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 5% 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 11% increase in the liability, while an increase in the rates to 125% results in an 9% 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 5% lower provision value.

36. 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.

37. 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 2022 HUFm	31 December 2021 HUFm
Trade payables (3rd parties)	45,739	79,482
Amount due to related companies and other investments	353	156
Total	**46,092**	**79,638**

38. 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 2022 HUFm	31 December 2021 HUFm
Contract liabilities	1,931	1,593
Total	**1,931**	**1,593**

39. 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 2022 HUFm	31 December 2021 HUFm
Debt on issue of bonds	1,225	1,225
Other current financial assets at FVTPL	1,630	1,967
Total	**2,855**	**3,192**

The Group recognises the coupon payment of „RICHTER31" bond, that is due in 2023 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".

40. Other current liabilities and accruals

	31 December 2022 HUFm	31 December 2021 HUFm
Short-term accruals	19,557	13,312
Premium	730	722
Other current liabilities	5,351	3,705
Dividend payable	168	164
Wages and payroll taxes payable	7,941	8,963
Other taxes	29,552	743
Deposits from customers	1,062	658
Total	**64,361**	**28,267**

41. 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 debt	31 December 2022 HUFm	31 December 2021 HUFm
Cash and cash equivalents	79,719	60,050
Cash and cash equivalents of disposal groups classified as held for sale (Note 49)	960	(194)
Non-current financial assets at FVTPL	45,983	61,887
Derivative financial assets (interest rate swap)	27,909	9,012
Debt on issue of bonds	(41,068)	(55,693)
Derivative financial liabilities (interest rate swap)	(25,484)	(8,476)
Lease liability	(15,226)	(17,317)
Total	**72,793**	**49,269**

	Other assets	Liabilities from financing activities					Total
	Cash/bank overdraft	Non-current financial assets carried at FVTPL	Derivative financial assets (interest rate swap)	Debt on issue of bonds, Repurchase Agreement	Derivative financial liabilities (interest rate swap)	Lease liability	
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Net debt as at 1 January 2021	**142,262**	**2,596**	**-**	**-**	**-**	**(14,556)**	**130,302**
Changes from financing cash flow	(83,815)	70,129	-	(70,273)	-	2,692	**(81,267)**
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	(194)	-	-	-	-	-	**(194)**
Net debt as at 31 December 2021	**59,856**	**61,887**	**9,012**	**(55,693)**	**(8,476)**	**(17,317)**	**49,269**
Changes cash and cash equivalents	19,191	-	-		-	4,852	**24,043**
Debt on issue of bonds, Repurchase Agreement (Repo)- borrowings				(178,487)			
Debt on issue of bonds, Repurchase Agreement (Repo)- payments				178,487			
New lease liability	-	-	-	-	-	(2,771)	**(2,771)**
Effect of foreign exchange changes	1,632	-	-	-	-	10	**1,642**
Other non-cash movements	-	(15,904)	18,897	14,625	(17,008)	-	**610**
Net debt as at 31 December 2022	**80,679**	**45,983**	**27,909**	**(41,068)**	**(25,484)**	**(15,226)**	**72,793**

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 Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

	2022 HUFm	2021 HUFm
Dividend on ordinary shares	41,934	41,934

A dividend of HUF 225 per share (HUF 41,934 million) was declared in respect of the 2021 results, approved at the Company's Annual General Meeting on 12 April 2022 and paid during the year.

43. 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 2022 HUFm	31 December 2021 HUFm
Contractual capital commitments of Parent	10,711	12,439
Contractual capital commitments of AO Gedeon Richter -RUS	108	74
Capital expenditure that has been authorised by the directors but has not yet been contracted for at Parent	57,036	35,595
Capital expenditure that has been authorised by the directors but has not yet been contracted for at AO Gedeon Richter-RUS	859	922

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

44. 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.

45. Employee information

	2022	2021
Average number of people employed during the year	12,180	12,546

46. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 13% of gross salaries which is paid during 2022 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 2,044 million in 2022 (in 2021 HUF 1,920 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 53 million in 2022 and HUF 47 million in 2021.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 509 million and HUF 571 million in 2022 and 2021, 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.

47. Contingent liabilities

Uncertain tax positions in Romania

In May 2018, a comprehensive tax audit covering the period from 01.01.2011 to 31.12.2015 was 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 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.
Finally, in December 2022 the High Court of Cassation and Justice has ruled in favour of Gedeon Richter Romania most of the challenged positions, therefore all provisions were cancelled.

48. 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%.

	2022 HUFm	**2021** HUFm
Dividend paid to HNAM Inc.	-	2,203

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.

48.1 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 2022 HUFm	31 December 2021 HUFm
Loans to joint ventures	75	-
Impairment on loans provided to joint ventures (in the balance sheet)	(1)	-
Impairment on loans provided to joint ventures (in the profit and loss)	(1)	-
Loans to associated companies	158	158
Impairment on loans provided to associates (in the balance sheet)	(158)	(158)
Impairment on loans provided to associates (in the profit and loss)	-	(155)
Convertible promissory note to associates	1,664	1,664
Impairment on convertible promissory note to associates (in the balance sheet)	1,664	(1,664)
Impairment on convertible promissory note to associates (in the profit and loss)	-	(1,664)
Trade receivables (joint ventures)	-	313
Trade receivables (associates)	3,415	3,380
Trade payables (associates)	(13)	7
Revenue from joint ventures	123	199
Revenue from associates	18,933	17,612

The loans are in Hungarian Forint, all of them are short-term as at 31 December 2022.
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 2022.

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 2022 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.

48.2 Remuneration of the Board of Directors and the Supervisory Board

	Short-term benefits - Allowance	
	2022	**2021**
	HUFm	HUFm
Board of Directors	104	96
Supervisory Board	36	32
Total	**140**	**128**

48.3 Key management compensation

	2022	**2021**
	HUFm	HUFm
Salaries and other short-term employee benefits	2,113	1,924
Share-based payments	874	946
Total short-term compensation	**2,987**	**2,870**
Social contribution tax	275	298
Total	**3,262**	**3,168**

From 2018 share-based payments were modified due to the introduction of the Employee's Share-Ownership Program, please see further details in Note 30.

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, considered as Key management, constituting 60 people.
There were no redundancy payments to key management members neither in 2022 nor in 2021.

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

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.

Richter's indirect Romanian subsidiary, Armedica Trading S.R.L has signed a share sale and purchase agreement to divest the Richter Group's Romanian wholesale and retail operations (Pharmafarm S.A. and Gedeon Richter Farmacia S.A., respectively) to Mediplus Exim S.R.L, a Romanian subsidiary of A&D Pharma, both being members of Dr.Max Group. The purchase price is due on the closure of the transaction pending on the approval of the Romanian competition authority.

The assets and liabilities of these subsidiaries were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively. The transaction is expected to close in 2023.

	31 December 2022
	HUFm
Property, plant and equipment	3,497
Investment property	100
Goodwill	1,116
Other intangible assets	3,622
Inventories	10,513
Trade receivables	47,032
Other current assets	174
Cash and cash equivalents	960
Assets classified as held for sale	**67,014**
Deferred tax liability	311
Lease liability	2,007
Other non-current liabilities and accruals	-
Trade payables	44,940
Other current liabilities and accruals	1,276
Provisions	510
Liabilities directly associated with assets classified as held for sale	**49,044**

Goodwill and pharma licences

Armedica Trading S.R.L sold both the wholesale subsidiary of Pharmafarm S.A. and the retail subsidiary of Gedeon Richter Farmacia S.A. Therefore, at the end of 2022, the goodwill and pharmacy license evaluation had to be carried out according to the IFRS 5 rules. As a result of the transaction all assets and liabilities to be sold were reclassified to assets held for sale and liabilities related to assets held for sale.
Since all the assets and liabilities to be sold form a disposal group, their total book value had to be compared to the fair value reduced by the sales costs, i.e. to the sales price. As in the case of goodwill and licenses we do not expect return from long-term operation, but from sales.
Based on the performed impairment test all previously recognised impairment according to IAS 36 were reversed in amount of HUF 288 million.

50. Business combination

SHE Healthcare Company Ltd.

In May 2022 Richter signed a Share purchase agreement with the owners and acquired 51% of SHE Healthcare Company Limited. The company is located in HongKong and has a sole legal and beneficial ownership in SHE Healthcare (Shanghai) Company Limited. Further, under the Share Purchase Agreement, it has been agreed that the Purchaser will buy the remaining 49% of the issued shares of the Company from the Vendors in accordance with the terms and conditions of the Share Purchase Agreement.

Total consideration paid in cash was EUR 3.1 million and EUR 3 million as a maximum amount of contingent consideration.

51. Notable events in 2022

The biggest impact on Richter's operating environment in 2022 was Russia-Ukraine war.

In 2022 major changes took place in the following areas:

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.

On 24 February 2022, Russian armed forces invaded Ukraine and occupied the south-eastern part of the country. A sustained war conflict ensued. Richter Gedeon Plc's operations in Russia and Ukraine have been severely affected by the war. The Group presented the impact of the situation after the Russian-Ukrainian conflict in Note 3.1. Key sources of estimation uncertainty.

On 11 March 2022, Richter. and AbbVie announced a new co-development and license agreement to research, develop and commercialize novel dopamine receptor modulators for the potential treatment of neuropsychiatric diseases. The collaboration is based on the results of preclinical research carried out by Richter and includes several new chemical entities selected for development.

On 27 April 2022, Richter's partner, AbbVie announced that Health Canada has approved Vraylar® as monotherapy for the acute management of manic, mixed, and depressive episodes associated with bipolar I disorder in adults, as well as the treatment of schizophrenia in adults.

From 1 May, 2022, Mr István Hamecz, previous Director of Tax and Treasury, took the lead of the Company's Directorate of Finance from Dr. Gábor Gulácsi. Mr György Thaler, Director of Product Development, resigned from his position. Directorate of Development as a self-contained structural unit was terminated. Its activities were rearranged to other structural units with the centralization of the special skills and knowledge needed and a unified Research and Development Directorate was established.

On 12 May 2022, Richter and Searchlight Pharma Inc. announced that Searchlight has assumed all Canadian distribution and promotional activities for Evra®, a transdermal contraceptive patch. This transition, which covers regulatory, distribution and promotional responsibilities in Canada, stems from the acquisition of ex-US rights to the Evra® brand by Richter from Janssen Pharmaceutica NV, a wholly-owned subsidiary of Johnson & Johnson, in December 2020.

On 21 October 2022, Richter Group and Dr. Max BDC, s.r.o. announced that Richter's indirect Romanian subsidiary, Armedica Trading S.R.L has signed a share sale and purchase agreement to divest the Richter Group's Romanian wholesale and retail operations (Pharmafarm S.A. and Gedeon Richter Farmacia S.A., respectively) to Mediplus Exim S.R.L, a Romanian subsidiary of A&D Pharma, both being members of Dr.Max Group. The purchase price is due on the closure of the transaction pending on the approval of the Romanian competition authority.

On 25 October 2022, the Company announced that it has submitted a Type II Variation application for Ryeqo® (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) to the European Medicines Agency (EMA) for the treatment of moderate to severe pain associated with endometriosis in adult women of reproductive age with a history of previous medical or surgical treatment for their endometriosis. Ryeqo® is already approved by the EMA for the treatment of moderate to severe symptoms of uterine fibroids in adult women of reproductive age since July 2021.

From November 15, 2022 Mr. Erik Bogsch resigns from his position regarding the direct supervision of Commercial, International and Government Relations, and in the future he will assist the Company's operations as advisor. Mr. Erik Bogsch continues to be member of the Board of Directors of Richter and will simultaneously serve as Chairman in the body of the Board of Directors, in the capacity of which he takes a relevant role in the strategic management of the Company. The direct supervision of Commercial, International and Government Relations in the future will be carried out by Mr. Gábor Orbán, Chief Executive Officer.

On 19 December 2022, Richter's partner AbbVie announced that the U.S. Food and Drug Administration (FDA) has approved Vraylar® (cariprazine) as an adjunctive therapy to antidepressants for the treatment of major depressive disorder (MDD) in adults. Supported by clinical data demonstrating efficacy and well-established tolerability, this additional indication provides a new option for adults who have a partial response to the treatment of an antidepressant.

On 20 December 2022, Richter announced it has signed a Binding Term Sheet (BTS) with Mithra Pharmaceuticals for the commercialisation of Donesta®, an estetrol-based product candidate for Hormone Replacement Therapy in postmenopausal women. The territories covered by the BTS are geographical Europe, including Russia and CIS countries, Latin America, Australia and New Zealand. The parties intend to finalise their partnership in an agreement during the first quarter 2023.

On 4 June 2022 the Government of Hungary issued a decree (Government Decree of 197/2022. (VI.4.)) imposing new taxes on a number of industries, which has been extended on 23 December 2022 to the pharmaceutical industry (Government Decree of 582/2022 (XII.23.)). The extraordinary pharmaceutical tax is levied on the actual business year's annual net sales of pharmaceutical products and active pharmaceutical ingredients as defined by the Local Tax Act and is payable for the years 2022 and 2023. The impact of the supplementary tax on the Company's financial statements is presented in Note 5.

52. Events after the date of the balance sheet

On 7 February 2023 Richter announced that it has acquired from shareholders of Consilient Health 100% control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. The transaction value is GBP 32.5 million.

On 15 February 2023 Richter and Mithra Pharmaceuticals signed a licence agreement for the commercialisation of Donesta®, a novel product candidate for the treatment of post-menopausal symptoms. The completion of the agreement follows the signing of the Binding Term Sheet by the parties on 20 December 2022.

Management is not aware of other post-balance sheet date events that might be material to the Group's business.

53. Approval of financial statements

Current Consolidated Financial Statements have been approved by the Board of Directors and authorised for release at 9 March 2023.

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 Annual Report published today, which contains the Group's 12 months to December 2022 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 2023

Elektronikusan aláírta:

Orbán Gábor

Gábor Orbán

Chief Executive Officer

GEDEON RICHTER PLC.

SEPARATE IFRS FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Gedeon Richter Plc.

SEPARATE FINANCIAL STATEMENTS

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Income Statement

	Notes	2022 HUFm	2021 HUFm
Revenues	**4**	**601,562**	**454,244**
Cost of sales		(177,176)	(147,431)
Gross profit		**424,386**	**306,813**
Sales and marketing expenses		(121,688)	(100,358)
Administration and general expenses		(19,800)	(16,854)
Research and development expenses		(73,867)	(60,365)
Other income	5	15,320	8,754
Other expenses	5	(66,478)	(17,055)
Net impairment losses on financial and contract assets		(4,220)	537
Profit from operations	**5**	**153,653**	**121,472**
Finance income	6	98,846	42,305
Finance costs	6	(70,009)	(22,576)
Net financial income/(loss)	**6**	**28,837**	**19,729**
Profit before income tax		**182,490**	**141,201**
Income tax	7	(11,176)	(38)
Profit for the year		**171,314**	**141,163**
Consolidated Earnings per share (HUF)	**8**		
Basic and diluted		835	751

The notes on pages 247-337 form an integral part of the Separate Financial Statements.

Statement of Comprehensive Income

	Notes	2022	2021
		HUFm	HUFm
Profit for the year		**171,314**	**141,163**
Items that will not be reclassified to profit or loss (net of tax)			
Actuarial gain on retirement defined benefit plans	35	1,007	716
Changes in the fair value of equity investments at fair value through other comprehensive income	19, 27	(451)	2,094
		556	**2,810**
Items that may be subsequently reclassified to profit or loss (net of tax)			
Fair value gain/(loss) on cash flow hedges	30	(8,432)	(23)
Hedging (gain)/loss reclassified to profit or loss		9,275	-
Changes in fair value of debt instruments at fair value through other comprehensive income	19, 27	(519)	(1,620)
		324	**(1,643)**
Other comprehensive income for the year		**880**	**1,167**
Total comprehensive income for the year		**172,194**	**142,330**

The notes on pages 247-337 form an integral part of the Separate Financial Statements.

Balance Sheet - Assets

	Notes	31 December 2022 HUFm	31 December 2021 HUFm
ASSETS			
Non-current assets			
Property, plant and equipment	12	226,216	206,814
Intangible assets	14	156,990	178,867
Investments in subsidiaries, associates and joint ventures	15, 16	137,110	127,973
Non-current financial assets at amortised cost	17	52,890	39,508
Non-current financial assets carried at fair value through profit or loss	18	67,724	84,651
Non-current financial assets carried at fair value through other comprehensive income	19	62,806	73,315
Derivative financial instruments*	11	31,446	9,107
Deferred tax assets	20	3,041	5,256
Other long term receivables	21	2,720	2,062
		740,943	**727,553**
Current assets			
Inventories	22	114,215	92,335
Trade receivables	24	210,285	161,965
Contract assets	23	4,254	2,452
Other current assets	25	31,326	20,873
Current financial assets at amortised cost	26	67,625	7,398
Current financial assets carried at fair value through other comprehensive income	27	1,536	-
Derivative financial instruments*	11	2,154	296
Current tax asset	28	-	154
Cash and cash equivalents	29	51,385	33,850
		482,780	**319,323**
TOTAL ASSETS		**1,223,723**	**1,046,876**

* The extension of the Group's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

The notes on pages 247-337 form an integral part of the Separate Financial Statements.

Balance Sheet – Equity and liabilities

	Notes	31 December 2022 HUFm	31 December 2021 HUFm
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	30	18,638	18,638
Treasury shares	31	(157)	(512)
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	(2,641)	977
Cash-flow hedge reserve	30	820	(23)
Retained earnings		989,891	856,599
		1,025,240	**894,368**
Non-current liabilities			
Non-current financial liabilities at fair value through profit or loss	32	42,322	56,286
Derivative financial instruments*	11	25,484	8,518
Lease liabilities	33	1,324	1,416
Other non-current liabilities and accruals	34	13,493	12,668
Provisions	35	3,346	4,609
		85,969	**83,497**
Current liabilities			
Borrowings	36	1,205	1,105
Trade payables	37	49,836	46,497
Current tax liabilities	28	2,856	1,313
Current financial liabilities at fair value through profit or loss	39	2,936	4,033
Derivative financial instruments*	11	4,786	85
Lease liabilities	33	634	652
Other current liabilities and accruals	40	49,975	15,300
Provisions	35	286	26
		112,514	**69,011**
TOTAL EQUITY AND LIABILITIES		**1,223,723**	**1,046,876**

* The extension of the Company's financial instruments portfolio required the reassessment of the presentation of different categories of the financial and non-financial instruments.

The notes on pages 247-337 form an integral part of the Separate Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2021	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserves for financial assets at fair value through other comprehensive income	Cash flow hedge reserve	Retained earnings	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
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	30	-	-	-	-	-	(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 247-337 form an integral part of the Separate Financial Statements.

for the year ended 31 December 2022	Notes	Share capital	Share premium	Capital reserves	Treasury shares	Revaluation reserves for financial assets at fair value through other comprehensive income	Cash flow hedge reserve	Retained earnings	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Balance at 1 January 2022		**18,638**	**15,214**	**3,475**	**(512)**	**977**	**(23)**	**856,599**	**894,368**
Profit for the year		-	-	-	-	-	-	171,314	171,314
Actuarial gain on defined benefit plans	35	-	-	-	-	-	-	1,007	1,007
Changes in the fair value of financial assets at FVOCI	19, 27	-	-	-	-	(3,618)	-	2,648	(970)
Change in fair value of hedging instruments recognised in OCI	30	-	-	-	-	-	(8,432)	-	(8, 432)
Hedging (gain)/loss reclassified to profit or loss	30	-	-	-	-	-	9,275	-	9, 275
Comprehensive income for year ended 31 December 2022		**-**	**-**	**-**	**-**	**(3,618)**	**843**	**174,969**	**172,194**
Purchase of treasury shares	31	-	-	-	(3,190)	-	-	-	(3,190)
Transfer of treasury shares	31	-	-	-	3,545	-	-	(3,545)	-
Recognition of share-based payments	30	-	-	-	-	-	-	3,802	3,802
Ordinary share dividend for 2021	42	-	-	-	-	-	-	(41,934)	(41,934)
Transactions with owners in their capacity as owners for year ended 31 December 2022		**-**	**-**	**-**	**355**	**-**	**-**	**(41,677)**	**(41,322)**
Balance at 31 December 2022		**18,638**	**15,214**	**3,475**	**(157)**	**(2,641)**	**820**	**989,891**	**1,025,240**

The notes on pages 247-337 form an integral part of the Separate Financial Statements.

Cash Flow Statement

for the year ended 31 December

	Notes	2022 HUFm	2021 HUFm
Operating activities			
Profit before income tax		182,490	141,201
Depreciation and amortisation	5, 12, 14	33,950	32,978
Non-cash items accounted through Income Statement		(1,672)	(10,243)
Net interest and dividend income	6	(14,546)	(11,385)
Reclass of results on changes of property, plant and equipment and intangible assets		1,461	631
Impairment recognised on intangible assets	14	18,978	2,592
Impairment on investments	15	(1,477)	2,381
Expense recognised in respect of equity-settled share-based payments	30	2,914	3,804
Changes in assets classified as held for sale	49	-	192
Movements in working capital			
Increase in trade and other receivables	24, 25	(46,234)	(25,072)
Increase in inventories	22	(28,475)	(17,429)
Increase in payables and other liabilities	34, 37, 40	37,339	10,414
Interest paid	6	(7,361)	(661)
Income tax paid	7, 28	(6,764)	(4,912)
Net cash flow from operating activities		**170,603**	**124,491**
Cash flow from investing activities			
Payments for property, plant and equipment	12	(39,754)	(30,354)
Payments for intangible assets	14	(12,058)	(96,541)
Proceeds from disposal of property, plant and equipment		384	130
Payments to acquire financial assets		(57,954)	(142,951)
Proceeds on sale or redemption on maturity of financial assets		14,868	31,776
Disbursement of loans		(33,648)	(3,298)
Loans repaid by borrowers		2,612	1,819
Government grant received related to investments	34	-	693
Interest received	6	17,295	5,160
Dividend received	6	4,612	6,886
Net cash outflow on acquisition of subsidiaries	14	(1,907)	-
Net cash flow to investing activities		**(105,550)**	**(226,680)**
Cash flow from financing activities			
Purchase of treasury shares	31	(3,190)	(3,014)
Dividend paid	42	(41,934)	(41,934)
Principal elements of lease payments	12	(596)	(483)
Repayment of borrowings	36	(178,487)	(244,846)
Proceeds from borrowings	36	178,487	315,119
Net cash flow to financing activities		**(45,720)**	**24,842**
Net (decrease)/increase in cash and cash equivalents		**19,333**	**(77,347)**
Cash and cash equivalents at beginning of year	**29**	**38,903**	**116,236**
Effect of foreign exchange rate changes on the balances held in foreign currencies		453	14
Cash and cash equivalents at end of year	**29**	**58,689**	**38,903**

The notes on pages 247-337 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:	12 April 2022
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.cegkozlony.hu www.gedeonrichter.com www.bet.hu kozzetetelek.mnb.hu
Name of the person authorized to sign on behalf of the Company:	Gábor Orbán chief executive officer
Address:	Budapest
The person responsible for the Management and supervision of the tasks related to book-keeping is:	Judit Kozma chief accountant
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 2022 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 2021.

The Company also prepares consolidated financial statements as parent company of the group. This 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.

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. Macroeconomic environment

A) The impact of supply chain and other macroeconomic factors

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 and it was not threatened by the consequences of the Russian-Ukrainian conflict and related sanctions.

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.

Russian invasion of Ukraine in early 2022 and subsequent waves of Western sanctions imposed on Russian energy sector resulted in several decade long record inflation across most economies. In the light of a severe energy crisis Europe faces sharply increasing costs of living and hampering economic activity.
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.
Global demand is growing rapidly, and the unprecedented need for COVID-19 vaccines and therapeutics has put additional pressure on the industry. The industry's ability to find innovative solutions to deliver COVID-19 vaccines while still meeting overall demand is a remarkable achievement, but rising global demand is still a significant challenge for the industry in the long term.
In addition to these industry-specific trends, pharma has also been affected by broader global trends, such as supply chain pressures. While the pharma industry is considered somewhat protected by its high inventory levels and long-standing dual sourcing, over a given ten-year period, the likelihood of supply chain disruptions remains significant. Inflation has risen in recent months to levels not seen for decades, leading to increasing costs for labour, raw materials, and transportation. This is over and above the persistent price pressures pharma is already facing, particularly in generics. Since pharma customers are not expected to fully absorb these cost increases, profit margins are under pressure.
The risks to the supply chain and the associated effects of inflation remain dominant, covering a wide range of issues, grouped around the following main elements:

Availability and pricing of raw materials and finished

- Risks of the supply of materials and parts and risk of transport and storage
- Global supply chain problems - certain raw materials and packaging materials can be obtained more expensively, not at all or not in time.
- Transport risks during Covid (container shortages, slow sea routes, delays, price increases) have decreased, but increased towards Russia and Ukraine.
- In the Russian factory, the risk of continuous supply of materials and parts increased due to the sanctions (for some machines, spare parts could not be obtained from Western manufacturers due to the sanctions, and some raw materials were not available from traditional Western partners), but there were no disruptions in production as alternative sources (typically Russian, CIS, Chinese, Indian) were able to supply the missing items.
- Continuously tightening regulations of marketing authorizations result in price increases in terms of active ingredients.
- The risk of supply chain issues is high for biosimilar products.
- The above may jeopardize the security of continuous production, increase costs, and generate surplus reserves (materials and assets).

The Company mitigate the above risks by through advanced ordering processes and seeking alternative sources of supply, by taking strict care to regularly check direct suppliers and by monitoring the entire supply chain.
Similarly, dependencies can be reduced by ordering fewer but larger items, increasing stock levels to avoid the risk of "lost business", but this leads to an increase in warehouse capacity and associated costs.

Shipping, distribution and warehousing

From a business point of view, the increase in the time required for the arrival of shipments of finished products and raw materials caused losses. Compared to an average of 4 days previously, shipments were on the road for 2-3 weeks due to restrictions, controls, longer routes and border congestion.
There is also a reallocation in the production and supply area: there are three reasons for the reallocation of sources of supply of production supplementary and packaging materials. On the one hand, the EU's 5th package of sanctions includes a ban list of substances that are an essential part of pharmaceutical production. On the other hand, certain suppliers, although their products were not subject to sanctions, no longer wished to supply the Russian market, or at least not in the form of direct deliveries. Thirdly, due to logistical difficulties, the supply of certain products has become impossible and, due to their mass, it has become impractical to continue to procure them through Budapest.
For the products subject to sanctions, we stockpiled 6-12 months' worth of all the substances concerned before the restrictions took effect in July, allowing time to find new suppliers and implement the changes. In the majority of cases, the price changes are not significant or are of different direction, so there is no material cost impact from the reallocation.
Due to changes in packaging materials, the changes affect the entire portfolio, with only bottled products being exempted from registration modifications.

Labour availability and personnel costs

The pharma industry is also facing talent shortages linked to wider labor market trends. The current pool of pharma digital talent is at least 14 percent lower than demand, and many companies are finding it challenging to recruit technical talent. Compounding this challenge is the rise of remote working, which has increased employee expectations for flexibility. In response, nearly all pharma companies are experimenting with hybrid working models.
Difficulties in accessing and retaining qualified staff in the Central and East European subsidiary companies of the Group may make operations more difficult, more expensive, even may result lost business.

- The difficult situation before Covid in recruiting and retaining labour has returned. There is a high demand for a workforce capable of following rapid technological changes. The prestige of physical work is low, many jobs are more informal than the ones at Richter with strict rules. Foreign work force in general is not a real alternative due to training and language difficulties;
- Risk of lack of HR resources and special expertise in the biosimilar area;
- In the case of skilled workers, the EU's absorption power increases the risk. This risk is particularly present in medical and regulatory positions in the R&D field. Recruitment of foreign specialists is difficult;
- Increasing medical salaries tilts the balance in favour of practicing;

- Change in workforce requirements is an additional risk: appreciation of non-monetary benefits, a greater selection of cafeteria, flexible working hours, HO, traffic options to the workplace;
- Loyalty is constantly decreasing in the labor market (Richter became impacted as well.);
- HO risk - market demands (many HO) vs. Richter needs, values (innovation, cooperation, efficiency);
- Fluctuation is below market average, but no decrease is expected;
- Managing inflation is a serious risk - retaining/acquiring labor vs. cost increase;
- Richter's prestige grew in Western Europe (Vraylar, market presence, external communication);
- Romania, Poland - similar challenges;
- Gender diversity - an increasingly important question for investors.

In response to ever-increasing inflation and rising utility costs, Richter introduced a monthly utilities support for all active colleagues in 2022 to help them during this difficult period. To complement this, the Company has also paid utilities aid to the most vulnerable employees through the Richter Welfare Foundation.

In 2022 the ratio of employees working in their home office peaked at 20 percent since the pandemic and hybrid work has become commonplace for office workers.

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 authority.
Professional and management career opportunities are open for Richter Group's female employees. 49 % of Richter's staff is female, and their respective rate in managerial positions (from deputy head of department to the top management) is 36 %. Richter provides many opportunities for personal development. Male and female staff participate in training programs supported by the Company in equal proportions.

The Company also uses additional tools to mitigate the above risks:
- Wage increases and the career opportunities helping the long-term commitment to the Company;
- Contracting with international head-hunters;
- University training collaborations, presence at universities;
- Teleworking for foreigners;
- Employer branding development;
- New recruitment techniques, new channels;
- Monitoring of competitors;
- Fluctuation monitoring, search for individual solutions in the affected areas;
- Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning;

Inflation risks

Higher inflation levels affect the judgements and estimates used in the preparation of the financial statements, including the predicted costs used in the going concern/impairment review and the assumptions made about pension obligations.
A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable.
A rise in energy prices may result is a significant increase in expenses (directly and indirectly), price volatility may also be high, which may make difficult planning and operation.
There is also a significant risk in optimally managing the increase in costs to retain and acquire workforce.
The following risk management procedures are applied:
- The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting;
- Increase of sales prices;
- Early procurement;
- Wage increase, support employees due the increase of prices, compensation focusing on special groups of workers

Risk of managing and investing financial assets

Interest rate risk: higher interest rates, mainly as a result of inflation, lead to a decrease in the value of fixed rate financial assets, affect expected credit losses, cause the Company to review and change its investment strategies and affect the discount rates used to value pension-related. Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses). Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital.
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.

The Company applies the following risk management procedures:

- At the Parent Company: financial investment regulations, strict compliance, daily limit monitoring, risk manager, reports; annual review and development;
- 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, involvement of new partners, partner selection, diversified portfolio and 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;
- Monthly investment and risk management report;
- Investment Committee – weekly.

Foreign exchange risk on 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;
Transactions related to revenues in Russia (transfer of revenues to the parent company), risk of conversion from RUB due to the war;
Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency and valuated in HUF in our books, changes significantly. Extra accounting results might be generated (gain and loss) due to the HUF vs. FX price changes.

The Company has implemented the following procedures to mitigate the risks and their effects:

- Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion;
- Rolling hedging of planned USD, RUB revenues, hedging of financial investments in USD to ensure the stability and predictability of financial results;
- Changing the Russian business model - invoicing in USD where it is possible, local conversion of RUB revenues, restructuring of banking relationships and operations, continuous examination of opportunities, negotiations with banking partners.
- Development of a foreign exchange allocation model.

B) Climate-related and ESG risks

Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. Many production processes should be rethought in the future. At the production process we have to adapt to this. If the Company would delay activity on this field, it could cause significant competitive disadvantage.
Investor expectations are getting stronger. Consumer habits and preferences will also change, supporting sustainable development. All this can adversely affect our sales revenues and reputation;
We may also be affected by our WHC portfolio and the chemicals we use. The role of the purity of the water supply will increase (it also affects Richter's operation). Necessary technological changes may cause cost increases;
Female quota expectations, internal incentive system.

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

Calculation of the Company's carbon footprint in respect of Hungary has been completed and a target has been set. In line with the European Union's "Fit for 55" programme, Richter aims to achieve a 55% reduction in carbon footprint by 2030 compared to 1990 levels, as a first step in the implementation of its energy strategy.
As a company aware of its responsibility for meeting sustainability goals Richter continues with the expansion of solar systems at all of its sites in order to increase the share of energy produced by the Company itself.
The Richter attaches importance to the EU legislation on sustainability taxonomy. The Company's core business is the manufacture of pharmaceuticals, which is not affected by the reporting obligations currently required for climate change issues. However, Richter will continuously monitor the development of the regulation and will prepare the necessary reports in the future if affected.

Occupational Health and Safety

A typical source of hazard at Richter's workplaces 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 2022 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.

Richter fully complies with the requirements of chemical safety set out in the EC regulations REACH and CLP and pays special attention to the provisions of the directive on equipment of potentially explosive atmospheres (ATEX), as well as to the requirements related to the prevention of serious accidents.

Human Resource Management

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

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.

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 in 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.

In the spirit of diversity, when composing 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.

Procedures used to manage ESG-related risks:
- Monitoring related changes, complying with new regulations;
- Establishing even stricter, forward-looking internal regulations and practices than the external prescriptions;
- Carbon footprint calculation, expected fit for Fit for 55;
- Energy reduction concept;
- ESG report, strengthening of internal focus, incorporation of ESG aspects into long-term planning.

1.4. Adoption of new and revised standards

A) The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2022.

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- 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).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

B) New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- 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),

- 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),

- Amendments to 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).

C) Standards and Interpretations issued by IASB but not yet adopted by the EU

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 interpretations, which were not endorsed for use in EU as at the 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 – Deferral of Effective Date, Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- 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.

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

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 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 and purchased by the Company and Richter Group,
- 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 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 (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 and research and development services 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 conflict

Business in Russia suffered slight temporary delays in the early days of the military conflict, shipments have since then broadly returned to their pre-war routine. Market intelligence data suggest that in the first eleven months retail pharmaceutical sales in Russia increased by 15% in RUB terms primarily due to price increases.

A stockpiling impacted sales at the final consumer level in the first quarter. Wholesaler stocks, however, declined to significantly lower levels by the end of 2022 compared to January. Payments have been received in due order during the entire reported year.

Starting March 2022 we have served Russian wholesalers exclusively from the Gedeon Richter RUS warehouse. Invoices to wholesalers are issued in RUB as previously by local subsidiaries of the Group. Invoices between the latter and the Parent are settled in USD with effect from second quarter 2022. Approximately half of our local turnover is naturally hedged, covering the RUB incurred costs of local manufacturing and marketing activities.

Commercial operations were disrupted in Ukraine in late February and only resumed in mid-April at significantly lower levels compared to previous sales volumes. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 35 of our products was initiated in early October on this legal basis. Richter plans to appeal against the decision. The practical implementation of the above measure did not take place by the end of the reported year, all of our registered products have been commercialised throughout the year.

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	19,649	728	**20,377**
Loans given to subsidiaries	20,979	9	**20,988**
Trade receivables	62,278	2,457	**64,735**
- from this: amounts due from subsidiaries	*61,948*	*0*	***61,948***
Bonds	3,048	0	**3,048**
Inventories	3,062	935	**3,997**
Cash and cash equivalents	938	9	**947**
All exposures	**109,954**	**4,138**	**114,092**

In 2022 the sales to the two countries amounted to 18% of the Company's total revenue (HUF 118,097 million).

	Russia	**Ukraine**	**Total**
Revenue in 2022 (HUFm)	107,656	10,441	**118,097**
Proportion of the total revenues	*18%*	*2%*	*20%*

Expected credit losses (ECL) of loans are presented in Note 17.

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 2022 would be higher by HUF 3,700 million compared to what is currently recorded in the Financial Statement. This change would have been HUF 3,605 million in 2021.

The Company recognised depreciation and amortisation cost of HUF 33,297 million in 2022, and HUF 32,442 million in 2021. 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 653 million) comparing to the depreciation of the fixed assets (HUF 33,297 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

In 2021 the Company had a significant deferred tax asset related to the deductible temporary differences of tax loss carried forward. Following a significant improvement in the financial performance in 2021, the Company reviewed and stated the utilization of previously unrecognized tax losses. As a consequence, a deferred tax asset of HUF 2,790 million was recognized in 2021, which was used in 2022.
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, production and sales 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	**2022** HUFm	**2021** HUFm
Sales of goods	449,508	335,004
Revenue from services	2,293	905
Royalty income	149,761	118,335
Total revenues	**601,562**	**454,244**

Revenues of approximately HUF 138,114 million (2021: HUF 101,569 million) derived from one single external customer (AbbVie), that 23% 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 2022 nor in 2021.

The customers of the Company are domiciled in the following regions in which the realized sales revenue was the follows in the examined periods:

	2022 HUFm	2021 HUFm
Hungary	45,710	43,587
CIS (Commonwealth of Independent States)	157,105	108,817
Europe, other than Hungary	172,310	133,236
USA	155,407	113,389
China	20,744	15,615
Latin America	15,694	9,543
Other countries	34,592	30,057
Total revenues	**601,562**	**454,244**

Growth in the CIS region was driven by an increase in Russian sales, shaped by rising sales of oral contraceptives, Mydeton, Reagila and Aflamin, and a decline in Gordox. The growth in sales in the US region was linked to the Vraylar® royalty. A significant part of the increase in the performance of the Europe region was contributed by the expansion of the Italian market, shaped primarily by oral contraceptives, Teriparatide, as well as Evra® (royalty and direct sales), and a rise in Relugolix sales, alongside lagging in Bemfola® sales. The increase in German sales is attributed to growing Teriparatide, Relugolix and oral contraceptives sales, attenuated by a decline in Bemfola® sales. The Spanish market was mainly driven by an increase in the sales of Teriparatide, but Cyclogest and Reagila also performed well. Growth in Latin America and the Rest of the World region was mainly linked to the Evra® royalty.

Top 10 countries

	2022 HUFm	2021 HUFm
USA	155,407	113,389
Russia	107,656	68,880
Hungary	45,710	43,587
Germany	27,432	21,294
Poland	22,830	18,596
China	20,744	15,615
Spain	19,649	15,707
Italy	16,215	9,803
Kazakhstan	13,724	6,608
Romania	11,858	9,624
Total top 10 countries	**441,225**	**323,103**

Top 10 products

	2022 HUFm	2021 HUFm
Cariprazine	150,093	106,468
hormonal contraceptives	132,272	96,843
Evra	28,223	14,529
Mydeton	22,589	13,846
Teriparatide	21,702	12,650
Bemfola	20,367	19,597
Cavinton	17,290	15,698
Panangin	13,894	12,266
Aflamin	13,596	11,055
Groprinosin	11,159	7,988
Total Top 10 products	**431,185**	**310,940**

5. Profit from operations – expenses by nature

	2022 HUFm	2021 HUFm
Revenues	601,562	454,244
from this: royalty and other similar income	*149,761*	*118,335*
Changes in inventories of finished goods and work in progress	19,780	10,887
Cost of goods sold	(32,153)	(24,961)
Material type expenses	(270,353)	(206,529)
Personnel expenses	(78,353)	(73,405)
Depreciation and amortisation (Note 12 and 14)	(33,950)	(32,978)
from this: IFRS16 related	*(653)*	*(536)*
Sharing of expenses	2,498	1,978
Net impairment losses/gains on financial and contract assets	(4,220)	537
Other income	15,320	8,754
Other expenses	(66,478)	(17,055)
Profit from operations	**153,653**	**121,472**

The fee for the statutory audit amounted to HUF 42 million in 2022.

Net impairment losses/gains on financial and contract assets

The net impairment losses/gains on financial and contract assets in 2022 amounted to HUF 4,220 million against HUF 537 million gain recorded in the reporting period. Of the 2022 impairment of loans and capital contributions of affiliated companies, mention should be made of the impairment of GR Brasilia's and GR Australia's loans (an aggregate HUF 4,048 million in 2022). The balance of expense on the impairment of trade receivables increased over the past two years.

Other income and Other expenses

The other incomes increased from HUF 8,754 million in the previous year to HUF 15,320 million in 2022.

In the reported year the Company received HUF 10,623 million one-off payments mainly related to cariprazine and the collaboration with AbbVie covering the field of neuropsychiatric diseases and compared to the one-off payments realised from denosumab, tocilizumab and cariprazine in the reference period and amounting to a total of HUF 3,072 million.

The Other expenses increased from HUF 17,055 million in the previous year to HUF 66,478 million in 2022.

Hungarian Government decided on 23rd December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF million 27,860 extraordinary tax was accounted as an other expense in 2022.

Impairment reported on intangibles in 2022 amounted to HUF 18,979 million. In every year the Company reviews it's ongoing development projects. In the current year several development projects and contract were stopped and terminated. In 2021 the impairment reported on intangibles was HUF 2,591 million including HUF 1,731 million reported on Priya.

In 2022, HUF 6,299 million was reported in impairment and scrapping of inventories, HUF 4,008 million more than in the reference year.

Claw-back in 2022 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 7,352 million (compared to HUF 5,256 million in 2021).

Depreciation charge of right-of-use assets:

	2022 HUFm	2021 HUFm
Buildings	(357)	(421)
Machinery	(3)	(3)
Vehicles	(293)	(112)
Total	**(653)**	**(536)**

The separate income statement includes HUF 48 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:

	2022 HUFm	2021 HUFm
Unrealised financial items	**(1,988)**	**5,280**
Exchange gain/(loss) on foreign currency on trade receivables and trade payables	(7,196)	3,660
Loss/(gain) on foreign currency loans receivable	7,387	2,829
Year-end foreign exchange translation difference of borrowings	-	-
Loss/(gain) on foreign currency securities	1,391	2,374
Exchange loss/(gain) on other currency related items	(513)	1
Result of unrealised forward exchange contracts	10	195
Impairment loss/reversal on investments (Note 15, 16)	1,774	(717)
Impairment loss on securities	(297)	(1,664)
Unwinding of interest on interest-free loans	118	293
Result related to contingent-deferred purchase price liabilities	(46)	-
Interest expenses related to IFRS 16 standard	(106)	(89)
Exchange difference related to IFRS 16 standard	(93)	(62)
Unrealised fair value difference on financial instruments	(4,417)	(1,540)
Realised financial items	**30,825**	**14,449**
Exchange gain on trade receivables and trade payables	23,929	2,695
Foreign exchange difference on conversion of cash	1,840	(1,729)
Dividend income	4,612	6,886
Interest income	17,057	4,939
Interest expense	(7,256)	(572)
Gain of derecognition of investment	230	2,050
Loss of forward exchanges	(6,380)	-
Loss of cash-flow hedge (reclassification from OCI)	(95)	-
Result of sale of debt instruments	(3.112)	-
Result of sale of equity instruments	-	180
Total	**28,837**	**19,729**

The net finance gain was HUF 28,837 million and HUF 19,729 million in 2022 and 2021, respectively.

In 2022, Richter reported impairment of additional HUF 946 million in respect of GR Columbia S.A.S. after recording HUF 528 million in the reference year. In 2022, a reversal of impairment of HUF 2,734 million was recognised on the investment in GR Mexico SAPI (in 2021 HUF 1,206 million). In 2021 an impairment of HUF 1,376 million was recognised on the investment in Prima-Temp Inc. For more information see Note 15 and 16.

The 2022 unrealized financial items were significantly affected by the 5.15 RUB/HUF, the 375.68 USD/HUF and 400.25 EUR/HUF exchange rates related translation on 31 December 2022. See the results of the foreign sensitivity tests in Note 9.

The unrealised fair value difference on financial instruments was HUF 4,417 million loss in 2022, which consist of HUF 15,347 million gain for debt on issue of bond, HUF 4,200 million gain for derivatives and HUF 20,892 million loss for government securities and corporate bonds and HUF 3,072 million loss for other financial asset. In 2021 this fair value difference was HUF 1,540 million loss.

Realized foreign exchange gain from trade receivables, payables and other items were HUF 23,929 million as opposed to HUF 2,695 million in the preceding year. The aggregate gain contributed HUF 21,234 million to a year-on-year increase in earnings.

Dividend income contributed HUF 4,612 million to the 2022 financial income, HUF 2,274 million lower than HUF 6,886 million realized in 2021.

From 2021, the Company enters into cash-flow hedging transactions. In 2022, it realized financial loss of HUF 95 million, but in 2021 there was no realized transaction.

In addition to this, the Company also concludes futures transactions for trading purposes. In 2022, on these transactions the Company realized HUF 6,380 million financial loss. The reason for this was primarily the change in the RUB exchange rate. In 2021, the Company did not realize such a financial result.

During the current year, some of the government bonds were sold from the debt instruments valued at FVOCI. Financial loss of HUF 3,112 million was generated from the exchange rate difference realized at the disposal. There was no debt instrument sale in 2021.

The effects of hedge accounting on financial position and performance are detailed in Note 11 and Note 30.

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.

	2022 HUFm	**2021** HUFm
Corporate income tax	(2,301)	(1,096)
Local business tax	(5,351)	(3,869)
Innovation contribution	(809)	(586)
Current tax	**(8,461)**	**(5,551)**
Deferred tax (Note 20)	(2,715)	5,513
Income tax*	**(11,176)**	**(38)**

*The tax rate reconciliation includes the effect of both self-revision and tax paid abroad.

In 2022, the average effective tax rate calculated on the basis of the current tax is 4.6% and 6.1% taking into account the effect of deferred tax as well (In 2021: 3.9 and 0%). The corporate income tax rate effective in 2022 and in 2021 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	9,461
Total		**54,029**

Utilization	**HUFm**
2020	8,782
2021	13,715
2022	31,532
Total	**54,029**

According to Hungarian tax legislation, accrued losses can be claimed for up to 50% of the tax base for 5 years. The Company used the entire amount of the accrued loss still available in 2022.

Tax rate reconciliation

	2022 HUFm	2021 HUFm
Profit before income tax	**182,490**	**141,201**
Tax calculated based on statutory corporate income tax rate*	16,424	12,708
Tax effects of:		
In previous years unused, in current year used tax loss	-	*(1,288)*
Dividend income not subject to taxation	(415)	(620)
Royalty tax incentive	(6,768)	(4,754)
R&D tax incentives**	(5,085)	(3,952)
Expense not deductible for tax purposes	92	146
Local business tax and innovation contribution	5,600	4,054
Other income taxes	2,079	908
Deferred tax asset from the previous years, which recognised due to return in this year	-	(5,995)
Other, individually insignificant items	164	(69)
Investment tax credit	(915)	(1,100)
Tax charge	**11,176**	**38**

* In 2022 and 2021 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

The Company would like to use investment tax credit in the amount of HUF 829 million regarding two projects in Budapest:
- Modernization of R&D related asset park (ending date: 2023);
- Expansion of manufacturing capacity of pharmaceutical products (ending date: 2020).

The equipment that formed part of both projects was commissioned.

There is still outstanding tax relief in connection with 'expansion of manufacturing capacity' project, which could be used base on the Act on CIT at latest in 2027.

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 recognize any deferred tax in connection with tax credit.

Tax authority audits

The State Tax Authority performed a comprehensive tax audit in 2022-2023 regarding financial years of 2019-2020. The minutes was received on 27 February 2023, which did not contain any significant findings.

The State Tax Authority and the respective municipal tax authorities may inspect the books and records at any time within 6 years and may impose additional tax liability and penalty.

The Company's 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 2022 and 31 December 2021 there are no potential dilutive instruments issued by the Group.

EPS (basic and diluted)	**2022**	**2021**
Net consolidated profit attributable to owners of the parent (HUFm)	155,581	139,626
Weighted average number of ordinary shares outstanding (thousands)	186,333	186,008
Earnings per share (HUF)	**835**	**751**

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 aresolely 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. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment). However, the entity might transfer the cumulative gain or loss within equity (Retained earnings).

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.

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.

There is a need to compare the risk of default at inception to the risk of default at the reporting date considering reasonable and supportable historic and forward looking information. Such an assessment can be done on an individual asset or groups of assets level, but needs to be consistently performed. There is a rebuttable presumption that default will occur when the asset is 90 days overdue (i.e. asset becomes non-performing), and also that credit risk significantly increases since initial recognition when contractual payments are more than 30 days past due (i.e. the asset becomes underperforming).The impairment stage for the debtor is determined based on the length of the payment delay (30 or 90 day payment delay) and other information affecting credit quality (i.e. Russian-Ukrainian conflict, sanctions, negative equity etc.). All debtor's obligations are classified in the same impairment stage. Impairments are described separately in Note 17, Note 19, Note 26 and Note 24.

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 2022	31 December 2021	31 December 2022	31 December 2021
		HUFm	HUFm	HUFm	HUFm
Financial assets[1]					
Financial assets measured at fair value					
Financial assets measured at fair value through OCI					
Government securities, corporate bonds (debt)[2]	19, 27	28,979	38,318	28,979	38,318
Equity instruments	19	35,318	31,265	35,318	31,265
Investments	19	45	3,732	45	3,732
		64,342	**73,315**	**64,342**	**73,315**
Financial assets measured at fair value through profit or loss					
Government securities, corporate bonds[2] - designated as at FVTPL at initial recognition	18	61,715	76,778	61,715	76,778
Other financial asset (Mycovia)	18	6,009	7,873	6,009	7,873
Derivative financial instruments	11	30,559	9,378	30,559	9,378
Foreign currency forwards – cash-flow hedges	11	3,041	25	3,041	25
		101,324	**94,054**	**101,324**	**94,054**
Financial assets measured at amortised cost					
Government securities, corporate bonds, deposits (debt)	17	40,594	1,441	40,139	1,402
Loans receivable [3]	17, 26	79,921	45,465	79,921	38,067
Trade receivables	24	210,285	161,965	210,285	161,965
Cash and cash equivalents	29	51,385	33,850	51,385	33,850
		382,185	**242,721**	**377,167**	**235,284**
Financial liabilities					
Financial liabilities measured at fair value					
Financial liabilities measured at FVTPL					
Debt on the issue of bonds	32, 39	(41,068)	(55,693)	(41,068)	(55,693)
Derivative financial instruments	11	(25,525)	(8,555)	(25,525)	(8,555)
Foreign currency forwards – cash-flow hedges	11	(4,745)	(48)	(4,745)	(48)
Other financial liabilities	32, 39	(4,190)	(4,626)	(4,190)	(4,626)
		(75,528)	**(68,922)**	**(75,528)**	**(68,922)**
Financial liabilities measured at amortised cost					
Borrowings	36	(1,205)	(1,105)	(1,205)	(1,105)
Trade payables	37	(49,836)	(46,497)	(49,836)	(46,497)
Lease liabilities	33	(1,958)	(2,068)	(1,958)	(2,068)
		(52,999)	**(49,670)**	**(52,999)**	**(49,670)**

[1] All financial assets are free from liens and charges.
[2] 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.
[3] There is not significant different between the carrying value and fair value of the loans receivable

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

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.

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; HUF, EUR and USD 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, almost 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 volatility of the financial result the company conducts USD and RUB FX roll forward deals for a part of the planned income.

In December 2021, the management decided to change its risk management policy in connection with these deals since that the Company applies hedge accounting. 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.

The most of royalty incomes are denominated in USD. The USD risk is one of the most important market risk for the Company. The risk is managed in HUF, because this is functional currency of the Company. The Company has established guidelines for hedging instruments (derivatives) in order to manage its USD exchange rate risk. USD exchange rate risk is managed on a mid-term basis. The foreign exchange forward Cash-Flow hedge derivatives are priced using spot plus forward points pricing (National Bank of Hungary (MNB) official daily exchange rate plus USD/HUF forward points according to Bloomberg Terminal).

The Company applied this hedging policy and accounting method during the Cash-Flow hedging settlement in 2022 and will continue to apply it in the following years as well.

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.

Due to the increasing market volatility, the exchange rates of the EUR, USD and RUB currencies have been significantly diverted (+/-10%) 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:

2022		Exchange rates									Effect on 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	CZK/HUF	CNY/HUF	HUFm	HUFm	
110%	**433.05**												
		413.18	**1.05**	**87.29**	**83.11**	**6.34**	**433.44**	**0.86**	**16.73**	**57.99**	**31,020**	**33,007**	**largest growth**
		375.62	1.15	83.13	79.15	5.76	412.80	0.82	15.93	55.23	2,307	3,362	
		338.06	1.28	78.97	75.19	5.18	392.16	0.78	15.13	52.47	(26,406)	(26,283)	
100%	**393.68**												
		413.18	0.95	87.29	83.11	6.34	433.44	0.86	16.73	57.99	28,713	29,645	
		375.62	1.05	83.13	79.15	5.76	412.80	0.82	15.93	55.23	0	0	
		338.06	1.16	78.97	75.19	5.18	392.16	0.78	15.13	52.47	(28,713)	(29,645)	
90%	**354.31**												
		413.18	0.86	87.29	83.11	6.34	433.44	0.86	16.73	57.99	26,406	26,283	
		375.62	0.94	83.13	79.15	5.76	412.80	0.82	15.93	55.23	(2,307)	(3,362)	
		338.06	**1.05**	**78.97**	**75.19**	**5.18**	**392.16**	**0.78**	**15.13**	**52.47**	**(31,020)**	**(33,007)**	**greatest decrease**

* Change of EUR/HUF average exchange rates (%).

2021		Exchange rates									Effect on 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	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 (%).

Based on the annual average currency rate sensitivity analysis of 2022, the combination of weak Hungarian Forint – (433.1 EUR/HUF, 413.2 USD/HUF, 82.3 PLN/HUF, 83.1 RON/HUF, 6.4 RUB/HUF, 433.4 CHF/HUF, 0.9 KZT/HUF, 16.7 CZK/HUF and 58.0 CNY/HUF) against other currencies - would have caused the largest growth in the amount of HUF 31,020 million on the Company's operating profit and HUF 33,007 million on the Company's profit before income tax for the year.
The greatest decrease of HUF 31,020 million on operating and HUF 33,007 million on profit before income tax for the year was caused by the combination of exchange rates of 354.3 EUR/HUF, 338.1 USD/HUF, 79.0 PLN/HUF, 75.2 RON/HUF, 5.2 RUB/HUF, 392.2 CHF/HUF, 0.8 KZT/HUF, 15.1 CZK/HUF and 52.5 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 (EUR, USD, RUB +/- 10%)

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

2022		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	
110%	**440.28**											
		413.25	**1.07**	**427.28**	**5.67**	**84.92**	**89.62**	**0.86**	**17.41**	**56.89**	**29,772**	**best case scenario**
		375.68	1.17	406.93	5.15	80.88	85.35	0.81	16.58	54.18	9,362	
		338.11	1.30	386.58	4.64	76.84	81.08	0.77	15.75	51.47	(11,048)	
100%	400.25											
		413.25	0.97	427.28	5.67	84.92	89.62	0.86	17.41	56.89	20,410	
		375.68	1.07	406.93	5.15	80.88	85.35	0.81	16.58	54.18	0	
		338.11	1.18	386.58	4.64	76.84	81.08	0.77	15.75	51.47	(20,410)	
90%	**360.23**											
		413.25	0.87	427.28	5.67	84.92	89.62	0.86	17.41	56.89	11,048	
		375.68	0.96	406.93	5.15	80.88	85.35	0.81	16.58	54.18	(9,362)	
		338.11	**1.07**	**386.58**	**4.64**	**76.84**	**81.08**	**0.77**	**15.75**	**51.47**	**(29,772)**	**worst case scenario**

* Change of EUR/HUF average exchange rates (%).

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 (%).

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 29,772 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 29,772 million.

The Company's exposure to foreign currency risk at the end of the reporting period, were as follows:

2022	**Currencies**								
									(all amounts in HUFm)
	EUR	USD	CHF	RUB	RON	PLN	KZT	CZK	CNY
Loans receivable	38,692	8,259	2,551	19,963	-	1,873	-	-	-
Trade receivables	49,048	116,865	395	3,078	4,140	5,303	9,212	2,483	4,966
Financial assets	34,064	28,182	-	-	-	-	-	-	-
Other receivables	-	10,678	-	-	-	-	-	-	-
Bank deposits	3,916	8,707	45	955	8	1,086	1,029	500	1,943
Trade payables	(24,630)	(2,521)	(1,316)	(462)	(267)	(2,190)	(240)	(509)	(2,614)
Lease liabilities	(457)	(205)	-	(101)	-	-	-	-	-
Other liabilities	(7,013)	(2,491)	(30)	(104)	(900)	(808)	-	(13)	(50)
Total	**93,620**	**167,474**	**1,645**	**23,329**	**2,981**	**5,264**	**10,001**	**2,461**	**4,245**

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**

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 assesses the solvency and creditworthiness risk of its customers, determining the payment structure, payment terms and the scope of collateral required. The Company monitors its customers' receivables, in particular with regard to overdue exposures, and the validity and enforceability of collateral, in order to avoid credit losses. If the amount of the available contractual credit limit or credit line is exceeded by the customers, the shipments on credit 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 2022 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 2022	**Credit insurance***	**Bank guarantee**	**L/C**
	HUFm	HUFm	HUFm	HUFm
CIS	6,931	5,614	1,317	-
EU	305	-	305	-
USA	-	-	-	-
China	4,966	4,966	-	-
Latin America	26	26	-	-
Other	2,008	1,783	28	197
Total	**14,236**	**12,389**	**1,650**	**197**

Regions	Trade receivables secured as at 31 December 2021 HUFm	Type of security: Credit insurance* HUFm	Bank guarantee HUFm	L/C HUFm
CIS	17,695	17,528	167	-
EU	466	-	466	-
USA	-	-	-	-
China	-	-	-	-
Latin America	-	-	-	-
Other	2,446	2,262	184	-
Total	**20,607**	**19,790**	**817**	**-**

*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 related 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 2022			31 December 2021		
	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	-	A1	A	A
BNP Paribas Hungarian Branch*	Aa3	A+	-	Aa3	A+	A+
CIB Bank Zrt.	-	-	BBB	-	-	BBB
Citibank N.A.	Aa3	A+	-	Aa3	A+	A+
Commerzbank AG Frankfurt	A1	-	-	A1	BBB+	-
Erste Bank Hungary Zrt.	Baa1	-	BBB+	Baa1	-	BBB+
ING Bank N.V. Hungarian Branch*	Baa1	A+	A+	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 Russia	-	-	WD	-	-	BB+
Raiffeisen Bank Zrt.*	A3	-	-	A2	-	-

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

The Company holds more than 99% of its cash and cash equivalents between 1 January 2021 and 31 December 2022 in the financial institutions presented above. In 2022 the Company invested into government and corporate bonds in the amount of HUF 168 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.

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.

The liquidity risk of the Company was limited in 2022, since the Cash and cash equivalents exceeded the Current liabilities and the Current asset were higher than the total liabilities. In 2022, the stock of financial liabilities increased further due to the continuous renegotiation of standard derivative contracts (e.g. forward contracts) used by the Company 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	**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**
at 31 December 2022		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Non-derivatives								
Trade payables	37	49,395	111	39	291	-	**49,836**	49,836
Lease liabilities	33	243	487	1,053	323	89	**2,195**	1,958
Debt on the issue of bonds	32, 39	-	1,225	1,228	3,675	74,168	**80,296**	41,068
Total non-derivatives		**49,638**	**1,823**	**2,320**	**4,289**	**74,257**	**132,327**	**92,862**
Derivatives								
Interest rate swap	11	(10)	37	(21)	(76)	257	**187**	4,829
Gross settled (foreign currency forwards – cash flow hedges) – gross outflows	11	21,410	52,117	20,507	-	-	**94,034**	(1,704)
Trading derivatives (foreign currency forwards) – gross outflows	11	2,227	3,890	-	-	-	**6,117**	205
Total derivatives		**23,627**	**56,044**	**20,486**	**(76)**	**257**	**100,338**	**3,330**

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
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
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**

For the year 2023, 94% of cash outflows of the Company are treated under hedge accounting. The intention is to cover 50% of the foreign currency denominated cash in-flows (royalty income) therefore the cash outflows occurring during this period do not represent an actual risk for the Company.

Net debt and EBITDA are presented and detailed in Note 9 and Note 41.

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 2022	31 December 2021
	HUFm	HUFm
Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities	273	194
Other, individually not significant bank guarantees	85	54

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 2022 dividend per ordinary share is HUF 390 as proposed by the Board of Directors.

The capital risk of the Company was still limited in both 2022 and 2021, 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 2022 HUFm	**31 December 2021** HUFm
Borrowings (Note 36) *	1,205	1,105
Debt on the issue of bonds (Note 32 and 39)	41,068	55,693
Derivative financial liabilities (interest rate swap) (Note 11)	25,486	8,476
Less: cash and cash equivalents (Note 29)	(51,385)	(33,850)
Less: non-current financial assets carried at fair value through profit or loss (Note 41)	(45,983)	(61,887)
Less: Derivative financial assets (interest rate swap) (Note 11)	(25,906)	(9,012)
Net debt	**(55,515)**	**(39,475)**
Total equity	1,025,240	894,368
Total capital	**969,725**	**854,893**
EBITDA	191,562	160,800
Net debt to EBITDA ratio	**(0.29)**	**(0.25)**
Net debt to equity ratio	**(0.05)**	**(0.04)**

* 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.

	2022 HUFm	**2021** HUFm
Profit from operations	153,653	121,472
Depreciation (except for right-of-use asset)	33,297	32,442
Dividend income	4,612	6,886
EBITDA	**191,562**	**160,800**

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 2022 HUFm	**31 December 2021** HUFm
Equity under IFRS	1,025,240	894,368
Supplementary payment	-	-
Adjusted equity	**1,025,240**	**894,368**
Subscribed capital	18,638	18,638
Capital reserve	18,532	18,177
Revaluation reserve	(1,821)	954
Retained earnings	818,577	715,436
Post-tax profit or loss	171,314	141,163
Total equity	**1,025,240**	**894,368**
Thereof:		
Registered capital	**18,638**	**18,638**
Retained earnings reserve available for dividend payment per local regulation	**989,890**	**856,599**

10. Fair value of financial instruments

Accounting policy
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:

	Notes	31 December 2022				31 December 2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Financial assets									
Financial assets at fair value through profit or loss	18	**55,275**	**6,440**	**6,009**	**67,724**	**68,420**	**8,358**	**7,873**	**84,651**
Debt instruments		*55,275*	*6,440*	*-*	*61,715*	*68,420*	*8,358*	*-*	*76,778*
Other financial assets at fair value		*-*	*-*	*6,009*	*6,009*	*-*	*-*	*7,873*	*7,873*
Financial assets at fair value through other comprehensive income	19, 27	**64,342**	**-**	**-**	**64,342**	**73,274**	**-**	**-**	**73,274**
Debt instruments		*28,979*	*-*	*-*	*28,979*	*38,318*	*-*	*-*	*38,318*
Equity instruments		*35,363*	*-*	*-*	*35,363*	*34,956*	*-*	*-*	*34,956*
Derivative financial instruments	11	**30,559**	**3,041**	**-**	**33,600**	**9,378**	**25**	**-**	**9,403**
Interest rate swaps		*30,313*	*-*	*-*	*30,313*	*9,107*	*-*	*-*	*9,107*
Foreign currency forwards – trading derivatives		*246*	*-*	*-*	*246*	*271*	*-*	*-*	*271*
Foreign currency forwards – cash flow hedges		*-*	*3,041*	*-*	*3,041*	*-*	*25*	*-*	*25*
Total financial assets held at fair value		**150,176**	**9,481**	**6,009**	**165,666**	**151,072**	**8,383**	**7,873**	**167,328**

	Notes	31 December 2022				31 December 2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Financial liabilities									
Financial liabilities at fair value through profit or loss	*32, 39*	**-**	**42,060**	**-**	**42,060**	**-**	**55,693**	**-**	**55,693**
Debt on issue of bond		-	*41,068*	-	*41,068*	-	*55,693*	-	*55,693*
Other financial liabilities at fair value		-	*992*	-	*992*	-	-	-	-
Derivative financial instruments	11	***25,525***	***4,745***	**-**	***30,270***	***8,555***	***48***	**-**	***8,603***
Interest rate swaps		25,484	-	-	25,484	8,479	-	-	8,479
Foreign currency forwards – trading derivatives		*41*	-	-	*41*	*76*	-	-	*76*
Foreign currency forwards – cash flow hedges		-	*4,745*	-	*4,745*	-	*48*	-	*48*
Total financial liabilities held at fair value		**25,525**	**46,805**	**-**	**72,330**	**8,555**	**55,741**	**-**	**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 and applies the fair value option for these instruments.

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 2022 and 2021.

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 2022 and 2021:

	Fair value at 31 Dec. 2022 HUFm	Valuation technique	Inputs	Range of inputs (weighted average)		Sensitivity of fair value measurement
Assets at fair value						
Other financial asset Mycovia	6,009	Discounted cash flows (DCF)	• Estimated future profit*			The lower estimated future profits, the lower the fair value.
			• Foreign currency rate	375.68	HUF/USD	The higher the FX rate the higher the fair value
			• Discount rate	15.59	%	The higher the discount rate the lower the fair value
Total recurring fair value measurements at Level 3	**6,009**					

* Unobservable input

	Fair value at 31 Dec. 2021 HUFm	Valuation technique	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**					

* Unobservable input

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 the direction and degree of change in the fair value. For this purpose significance was judged with respect to profit or loss and the total assets and total liabilities or, when changes in fair value are recognized in other comprehensive income, total 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. Except in the event that the given derivative transaction has been classified as a hedging instrument by the Company and the hedging instrument is effective, since in this case the timing of settlement against the result depends on the nature of the hedging relationship. The cumulative change in the fair value of the hedging instrument appears in Other comprehensive income (OCI) until the time of recognition of the hedged item (royalty income). The Company uses the option of hedge accounting, the purpose of which is to reduce the impact of volatility arising from exchange rate changes in very likely future foreign currency cash flows. The Company accounts for the effect of the hedged item and the hedging instrument against each other 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	2,211
Interest rate swap (HUF)	10,000,000,000	2029	3,626
Interest rate swap (HUF)	3,500,000,000	2030	1,292
Interest rate swap (HUF)	49,000,000,000	2031	18,777
Interest rate swap (EUR)	2,000,000	2026	59
Interest rate swap (EUR)	10,000,000	2027	622
Interest rate swap (EUR)	13,775,000	2029	1,015
Interest rate swap (EUR)	25,000,000	2035	2,711
Total			**30,313**

Liabilities

Name	Nominal value	Maturity date	Carrying value (HUFm)
Interest rate swap (HUF)	7,000,000,000	2028	(2,211)
Interest rate swap (HUF)	10,000,000,000	2029	(3,414)
Interest rate swap (HUF)	3,500,000,000	2030	(1,292)
Interest rate swap (HUF)	49,000,000,000	2031	(18,567)
Total			**(25,484)**

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.

In 2021 the Company recognized 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.

	31 December 2022 HUFm	31 December 2021 HUFm
Assets		
Long term financial derivative instruments		
Interest rate swaps	30,313	9,107
Foreign currency forwards – trading derivatives	-	-
Foreign currency forwards – cash flow hedges	1,133	-
Short term financial derivative instruments		
Interest rate swaps	-	-
Foreign currency forwards – trading derivatives	246	271
Foreign currency forwards – cash flow hedges	1,908	25
Total financial derivative assets	**33,600**	**9,403**
Liabilities		
Long term financial derivative instruments		
Interest rate swaps	(25,484)	(8,479)
Foreign currency forwards – trading derivatives	-	-
Foreign currency forwards – cash flow hedges	-	(39)
Short term financial derivative instruments		
Interest rate swaps	-	-
Foreign currency forwards – trading derivatives	(41)	(76)
Foreign currency forwards – cash flow hedges	(4,745)	(9)
Total financial derivative liabilities	**(30,270)**	**(8,603)**

Amounts recognised in profit or loss

There were reclassifications from the cash flow hedge reserve to profit or loss (Revenues) during the year 2022 in relation to royalty incomes and 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.

In 2022, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2022 is HUF 1,704 million (HUF 23 million in 2021). This resulted in an increase in liabilities of HUF 1,681 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 30 (Cash flow hedge reserve).

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 2022	31 December 2021
Carrying amount of the hedging instrument - liabilities (HUFm)	(1,704)	(23)
Notional amount (USD)	241,425,000	200,000,000
Maturity date	2023/2024	2022/2023
Hedge ratio*	100%	100%
Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm)	(1,681)	(23)
Weighted average forward rate for outstanding hedging instruments (including forward points)	389.50	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 year.

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, Administration and general expenses or Research and development 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 or Other expenses.

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 expenses".

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".

Property, plant and equipment:

	31 December 2022 HUFm	**31 December 2021** HUFm
Property, plant and equipment without right-of-use assets	224,419	204,849
Right-of-use assets	1,797	1,965
Total	**226,216**	**206,814**

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 2020	**154,160**	**273,274**	**26,958**	**454,392**
Addition	13,667	19,511	(33,178)	**-**
Transfers and capital expenditure	-	-	30,354	**30,354**
Other Increase/(Disposals)	(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)**
Other Increase/(Disposals)	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**

	Land and buildings	Plant and equipment	Construction in progress	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2021	**167,303**	**284,831**	**23,996**	**476,130**
Addition	8,594	18,073	(26,667)	**-**
Transfers and capital expenditure	-	-	39,754	**39,754**
Other Increase/(Disposals)	(662)	(8,632)	(1)	**(9,295)**
at 31 December 2022	**175,235**	**294,272**	**37,082**	**506,589**
Accumulated depreciation				
at 31 December 2021	**(54,704)**	**(216,577)**	**-**	**(271,281)**
Current year depreciation	(5,009)	(13,829)	-	**(18,838)**
Other Increase/(Disposals)	81	7,868	-	**7,949**
at 31 December 2022	**(59,632)**	**(222,538)**	**-**	**(282,170)**
Net book value				
at 31 December 2021	**112,599**	**68,254**	**23,996**	**204,849**
at 31 December 2022	**115,603**	**71,734**	**37,082**	**224,419**

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.

Set out below are the carrying amount of right-of-use assets recognised ang the movements during the period:

	Building HUFm	**Machinery** HUFm	**Vehicles** HUFm	**Total** HUFm
at 31 December 2020	**1,297**	**-**	**150**	**1,447**
Addition	103	7	944	1,054
Current year depreciation	(421)	(3)	(112)	(536)
at 31 December 2021	**979**	**4**	**982**	**1,965**
Addition	36	-	449	485
Current year depreciation	(357)	(3)	(293)	(653)
at 31 December 2022	**658**	**1**	**1,138**	**1,797**

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 expenses.

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.

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 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**

	Rights	Intellectual property	Research and development	Total
	HUFm	HUFm	HUFm	HUFm
Gross value				
at 31 December 2021	**305,258**	**2,030**	**804**	**308,092**
Acquisition	12,354	139	-	**12,493**
Scrapping	(12)	-	-	**(12)**
Other Increase/(Disposals)	(926)	-	-	**(926)**
at 31 December 2022	**316,674**	**2,169**	**804**	**319,647**
Accumulated amortization				
at 31 December 2021	**(126,770)**	**(1,651)**	**(804)**	**(129,225)**
Current year amortization	(14,400)	(59)	-	**(14,459)**
Impairment and reversal of impairment (net)	(18,969)	-	-	**(18,969)**
Scrapping	2	-	-	**2**
Other (Increase)/Disposals	(6)	-	-	**(6)**
at 31 December 2022	**(160,143)**	**(1,710)**	**(804)**	**(162,657)**
Net book value				
at 31 December 2021	**178,488**	**379**	**-**	**178,867**
at 31 December 2022	**156,531**	**459**	**-**	**156,990**

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 2022 HUFm	31 December 2021 HUFm
Evra	69,367	73,198
Relugolix	21,881	20,856
Mithra/Drovelis	21,005	19,176
Grünenthal	12,387	16,623
Mycovia	-	7,635
Mifepristone	-	4,938
Bemfola/Afolia	4,236	4,443
Tocilizumab	-	3,891
Other, individually not significant rights	12,666	13,739
Rights total	***141,542***	***164,499***
Other, individually not significant intangible assets	15,448	14,368
Total	**156,990**	**178,867**

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 263.5 million. 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 2022 is HUF 69,367 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. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 12,429 million as of 31 December 2022. For the part of intangible assets which are not in use (net book value at 31 December 2022 is HUF 9,453 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 Drovelis®, 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. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 17,339 million as of 31 December 2022. For the part of intangible assets which are not in use (net book value at 31 December 2022 is HUF 3,666 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 12,387 million as of 31 December 2022 and HUF 16,623 million as of 31 December 2021.

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.
In 2022, due to the risks identified during non-clinical trials which affected significantly the product's sales potential. Therefore 100% impairment has been accounted for in relation with the Mycovia intangible asset. The total impairment expense accounted is HUF 8,677 million and the carrying value of the Mycovia intangible asset is HUF 0.

Rights – Mifepristone
In 2022, 100% impairment has been accounted for in relation with the Mifepristone intangible asset, due to results of clinical trials which gave rise to additional risks, which are anticipated to diminish the long term return of the investment. The total impairment expense accounted is HUF 4,938 million and the carrying value of the Mifepristone intangible asset is HUF 0.

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 2022, we performed impairment test for the remaining intangible assets of HUF 4,236 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.
As of 31 December 2022 we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. 100% impairment has been accounted for in relation with the Tocilizumab intangible asset due to expected delay in the launch of the Product and higher anticipated costs of manufacturing. The total impairment expense accounted is HUF 5,355 million and the carrying value of the Tocilizumab intangible asset is HUF 0.

Intellectual property
The average remaining useful life of the intellectual properties in use does not exceed 5.9 years (6.2 years in 2021).

15. Subsidiaries

Accounting policy
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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	
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	Richter-Helm BioLogics GmbH & Co. KG	Germany	70.00	70.00	70.00	70.00	Biotechnological manufacturing and research
23	Richter-Helm BioLogics Management GmbH	Germany	70.00	70.00	70.00	70.00	Asset management
24	Medimpex UK Ltd.	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
25	Farnham Laboratories Ltd. (2)	United Kingdom	100.00	100.00	100.00	100.00	Pharmaceutical trading
26	Gedeon Richter Aptyeka SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical retail
27	Pharmafarm S.A.	Romania	99.92	99.92	99.92	99.92	Pharmaceutical wholesale
28	LLC "Gedeon Richter Ukraine"	Ukraine	100.00	100.00	100.00	100.00	Pharmaceutical retail
29	Gedeon Richter Italia S.R.L.	Italy	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
30	PregLem S.A. (1)	Switzerland	-	100.00	-	100.00	Manufacturing and research

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	
31	Gedeon Richter Marketing ČR s.r.o.	Czech Republic	100.00	100.00	100.00	100.00	Marketing services
32	Gedeon Richter Slovakia s.r.o.	Slovak Republic	100.00	100.00	100.00	100.00	Marketing services
33	Richter-Lambron SP OOO	Armenia	51.00	51.00	51.00	51.00	Pharmaceutical trading
34	Gedeon Richter Austria GmbH	Austria	100.00	100.00	100.00	100.00	Marketing services
35	Gedeon Richter (Schweiz) AG	Switzerland	100.00	100.00	100.00	100.00	Marketing services
36	Pharmarichter OOO (3)	Russia	-	100.00	-	100.00	Pharmaceutical sales promotion
37	Gedeon Richter Portugal S.A.	Portugal	100.00	100.00	100.00	100.00	Marketing services
38	PregLem France S.A.S.	France	100.00	100.00	100.00	100.00	Management services
39	Gedeon Richter, trženje, d.o.o.	Slovenia	100.00	100.00	100.00	100.00	Marketing services
40	Gedeon Richter Benelux	Belgium	100.00	100.00	100.00	100.00	Marketing services
41	Gedeon Richter Nordics AB	Sweden	100.00	100.00	100.00	100.00	Marketing services
42	Gedeon Richter KZ LLP	Kazakhstan	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
43	GRMed Company Ltd. (Hongkong)	Hong-Kong	100.00	100.00	100.00	100.00	Marketing services, distribution
44	Gedeon Richter Pharmaceutical (China) Co. Ltd.	China	100.00	100.00	100.00	100.00	Marketing services
45	Gedeon Richter Colombia S.A.S.	Columbia	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
46	Gedeon Richter Croatia d.o.o.	Croatia	100.00	100.00	100.00	100.00	Marketing services
47	Gedeon Richter Mexico, S.A.P.I. de C.V	Mexico	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
48	Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A.	Brazil	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
49	Gedeon Richter Chile SpA	Chile	100.00	100.00	100.00	100.00	Pharmaceutical trading
50	Mediplus (Economic Zone) N.V.	Curaçao	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
51	Gedeon Richter Peru S.A.C.	Peru	100.00	100.00	100.00	100.00	Pharmaceutical trading
52	GEDEONRICHTER Ecuador S.A.	Ecuador	100.00	100.00	100.00	100.00	Pharmaceutical trading
53	Gedeon Richter Bolivia SRL	Bolivia	100.00	100.00	100.00	100.00	Pharmaceutical trading
54	Gedeon Richter Australia PTY Ltd.	Australia	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services
55	Finox AG	Switzerland	100.00	100.00	100.00	100.00	Biotechnological services
56	Finox Biotech AG	Lichtenstein	100.00	100.00	100.00	100.00	Biotechnological services
57	Finox Biotech Germany GmbH	Germany	100.00	100.00	100.00	100.00	Marketing services

	Name	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
			31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	
58	Gedeon Richter Ireland Ltd.	Ireland	100.00	100.00	100.00	100.00	Marketing services
59	Gedeon Richter Bulgaria Ltd.	Bulgaria	100.00	100.00	100.00	100.00	Marketing services
60	Gedeon Richter Farma O.O.O.	Russia	100.00	100.00	100.00	100.00	Marketing services
61	Pharmapolis Gyógyszeripari Tud. Park Kft. [3]	Hungary	-	100.00	-	100.00	Building project management
62	Forhercare Kft.	Hungary	100.00	100.00	100.00	100.00	Pharmaceutical retail
63	Gedeon Richter Vietnam Ltd	Vietnam	100.00	100.00	100.00	100.00	Pharmaceutical trading, Marketing services

[1] Merged into Gedeon Richter Schweiz AG in 2022.
[2] The company's principal activity has been suspended.
[3] The subsidiary was liquidated in 2022.

	Name	Date of establishment / acquisition	Place of incorporation (or registration) and operation	Proportion of ownership %		Proportion of voting rights held %		Principal activity
				2022	2021	2022	2021	
64	SHE Healthcare Company Limited	05.2022	Hong-Kong	100.00	-	100.00	-	Pharmaceutical trading, Marketing services
65	SHE Healthcare (Shanghai) Company Limited	05.2022	China	100.00	-	100.00	-	Pharmaceutical trading, Marketing services
66	Farmage Dominicana S.R.L.	07.2022	Dominican Republic	100.00	-	100.00	-	Pharmaceutical trading, Marketing services

Changes in the investment in subsidiaries are presented in detail in the table below:

Name	31 December 2022	Change		1 January 2022
	HUFm	HUFm	Reason	HUFm
AO Gedeon Richter - RUS	17,672			17,672
Gedeon Richter Farma O.O.O.	1,977			1,977
RG Befektetéskezelő Kft.	3,614	3,287	Apport	327
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. (Hongkong)	28,207			28,207
Gedeon Richter Mexico, S.A.P.I. de C.V	5,868	2,734	Reversal of impairment	3,134
Finox AG	28,014			28,014
Gedeon Richter Australia PTY Ltd.	4,840			4,840
SHE Healthcare Company Limited	2,853	2,853	Acquisition	-
Other subsidiaries	7,998	263	Impairment and other non-significant changes	7,735
Total	**133,674**	**9,137**		**124,537**

Name	31 December 2021 HUFm	Change HUFm	Reason	1 January 2021 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**

The following details the investments considered to be most significant by management.

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 2023 to 2024 in connection with the increase in sales (CAGR 1.2%) after this peak period the growth is expected to be slower and turn into slow decrease until 2041 (CAGR: -1.7%).
The recoverable amount is significantly higher than the investment's book value.

The discount rate (post tax: 9.3% in 2022, 4.6% in 2021) 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 2022 and 2021 and it was found that there is no need to account for impairment in 2022 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 2022 (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 2023 and 2032 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 7% in 2023 to 55% in 2032.

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 2023-2032 cash flows (representing 30% of the total recoverable amount) and the conservatively estimated residual value (reckoning with 0% growth) is significantly higher than the tested amount.

The discount rate (post tax: 8.90% in 2022 and 4.9% in 2021) 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 13.6 % or 9.2 % 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 2022 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 (2023-2032), 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: 11.9% in 2022 and 7.3% in 2021) 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 was 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, as of 31.12.2022 the investment value has been increased HUF 2,734 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 2022 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 (2023-2032), 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 30.4% over the period 2023-2032.

The sum of the present value of 2023-2032 cash flows represents 22.6% 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 18.6 % or 26.1% decrease in forecasted sales volumes would remove the remaining headroom.

The discount rate (post tax: 9.8% in 2022 and 6.0% in 2021) 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 2022

In May 2022, the Company bought SHE Healthcare, as its subsidiary.
In July 2022, the Company bought Farmage Dominicana S.R.L., as its subsidiary.

Acquisition of subsidiaries in 2021

In August 2021, the Company founded Gedeon Richter Vietnam 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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	
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 2021 and it was not changed in 2022.

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 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 and in 2022. 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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021	
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	35.31	35.45	35.31	35.45	Biopharmaceutical research and development
Prima-Temp Inc.	USA	22.99	22.99	22.99	22.99	Pharmaceutical research and development

Name	31 December 2022	Change		1 January 2022
	HUFm	HUFm	Reason	HUFm
Hungaropharma Zrt.	1,191	-		1,191
Evestra Inc.	1,624	-		1,624
Prima-Temp Inc.	-	-		-
Other associates	1	-		1
Total	**2,816**	**-**		**2,816**

Name	31 December 2021	Change		1 January 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**

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 1,376 million. As of 31 December 2022 there were no significant changes in the economic circumstances and assumptions related to the evaluation of the Company's investment PrimaTemp, therefore no reversal of previously accounted impairment was deemed to be necessary.

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. There were no significant changes in the economic circumstances in either the 2022 or 2021 year 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 instrument, 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.

See Note 9 for the presentation of the model used for the impairment of financial assets.

The loans receivables are loans given to related parties (subsidiaries and joint ventures), associates and third party (other loans) given loan, which are summarized in the table below:

	31 December 2022 HUFm	**31 December 2021** HUFm
Loans given to related companies and other investments	39,341	37,028
Other loans given	762	1,039
Total	**40,103**	**38,067**

The Company accounted for HUF 10,512 million loss allowance (which increased by HUF 5,348 million compared to the base year), of which stage I. is HUF 344 million, stage II. HUF 447 million and the remaining HUF 9,722 million is classified as stage III.

The Company has a loss allowance of HUF 1,191 million on the Russian and Ukrainian loans. Of this, HUF 251 million is included in stage II. and HUF 939 million in stage III.

Movements on the Company provision for impairment of loan receivables are as follows:

	31 December 2022	Provision	Reversal of impairment	31 December 2021
	HUFm	HUFm	HUFm	HUFm
Loans given to subsidiaries	10,351	5,370	-	4,981
Loans given to other investments	161	1	-	160
Other loans given	-	-	23	23
Total	**10,512**	**5,371**	**23**	**5,164**

	31 December 2021	Provision	Reversal of impairment	31 December 2020
	HUFm	HUFm	HUFm	HUFm
Loans given to subsidiaries	4,981	580	1,152	5,553
Loans given to other investments	160	147	-	13
Other loans given	23	23	-	-
Total	**5,164**	**750**	**1,152**	**5,566**

Analyse how Loan portfolio Balances migrate across the 3-stages	**Loan book balance**	**of which: stage 1 (12-month ECL)**	**of which: stage 2 (lifetime ECL)**	**of which: stage 3 (credit impaired)**
	HUFm	HUFm	HUFm	HUFm
Gross carrying amount as at beginning of year 31 December 2021	**45,648**	**37,337**	**-**	**8,311**
Individual financial assets transferred to lifetime ECL	-	(23,720)	23,720	-
Individual financial assets transferred to credit impaired	-	-	-	-
Individual financial assets transferred from credit impaired	-	-	-	-
Sub-total	**45,648**	**13,617**	**23,720**	**8,311**
New financial assets originated or purchased (new loans)	13,835	12,408	-	1,427
Financial assets that have been de-recognised	(1,535)	(1,535)	-	-
Other changes (repayment, disbursement)	7,457	353	3,519	3,585
Gross carrying amount as at end of year 31 December 2022	**65,405**	**24,843**	**27,239**	**13,323**
Net Cumulated write-offs	(10,512)	(343)	(447)	(9,722)
of which: 2022 write-offs	*(5,419)*	*(284)*	*(447)*	*(4,688)*
of which: 2022 reversal	*71*	*41*	-	*30*
Discounting of capital contribution (Subsidiary and joint ventures)	(1,361)	(1,361)	-	-
Net carrying amount as at end of year 31 December 2022 *	**53,532**	**23,139**	**26,792**	**3,601**

* Includes both short-term and long-term loans, excluding loans that have not been impaired.

Reconciliation of the loan loss allowance	Total balance sheet allowance	of which: stage 1 (12-month ECL)	of which: stage 2 (lifetime ECL)	of which: stage 3 (credit impaired)
	HUFm	HUFm	HUFm	HUFm
Loan loss allowance balance at the start of the year (31 December 2021)	**5,164**	**100**	**-**	**5,064**
Transfer to lifetime ECL	-	(19)	19	-
Transfer to credit impaired financial assets	-	-	-	-
Transfer to 12-month ECL	-	-	-	-
Sub-total	**5,164**	**81**	**19**	**5,064**
Write-offs	5,400	284	428	4,688
of which: new financial assets originated or purchased (new loans - write-offs)	*1,309*	*138*	*-*	*1,171*
Reversal	(52)	(22)	-	(30)
Loan loss allowance balance at the end of the year	**10,512**	**343**	**447**	**9,722**

17.2. Government securities, corporate bonds and long-term deposits 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 2022	31 December 2021
	HUFm	HUFm
Government securities, corporate bonds	1,483	1,441
Long-term deposits	11,304	-
Total	**12,787**	**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 2022 HUFm	31 December 2021 HUFm
Corporate bonds, government securities	61,715	76,778
Other financial asset (Mycovia)	6,009	7,873
Total	**67,724**	**84,651**

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.

In 2021 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 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. The fair value of Mycovia financial assets was HUF 6,009 million at 31 December 2022. (HUF 7,873 million in 31 December 2021.)

The accounting policy and current year changes regarding derivative financial instruments are detailed 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 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	27,443	38,318
Equity instruments	35,318	31,265
Investments	45	3,732
Total	**62,806**	**73,315**

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 and applies the fair value option for these instruments, which are investments in Exchange Traded Funds. The received dividend was HUF 313 million related to these equity instruments.

Based on the management valuation, there are signs to make impairment for assets presented in FVOCI model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Company. The Company has three Russian financial instruments that are directly or indirectly affected. Two of these are recorded at other comprehensive income (OCI). During the calculation of the expected credit loss (ECL), the Company applied the DCF model and calculated an ECL according to the differences between the present values of the expected future cash flows and the fair values quoted in the market. The differences (HUF 276 million) were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage I., the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model.

In 2022, the Company gave the investment, is a 9.63% ownership in Themis Medicare Ltd as an apport to its 100% owned subsidiary, to RG Befektetéskezelő Kft.

20. Deferred tax

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 Balance Sheet are as follows:

	31 December 2022	31 December 2021
	HUFm	HUFm
Deferred tax assets	3,041	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 2021	**-**	**-**	**-**	**-**	**-**	**-**
(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**
(Debited)/credited to the income statement	-	(231)	9	363	(2,856)	**(2,715)**
(Debited)/credited to other comprehensive income	599	-	(99)	-	-	**500**
31 December 2022	**342**	**1,455**	**327**	**1,037**	**(120)**	**3,041**

Of the amount of deferred taxes presented above, deferred tax liability of HUF 290 million 31 December 2022 was offset against deferred tax assets according to IAS 12. (In 2021 HUF 613 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 related 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 related 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 on a straight-line basis over the expected useful live of the related assets.

	31 December 2022	31 December 2021
	HUFm	HUFm
Government grants	2,345	1,706
Loans given to employees	375	356
Total	**2,720**	**2,062**

The Company was granted government grant related to property, plant and equipment and research and development activities. As at the end of 2022 HUF 2,345 million was approved but not financially settled, due over one year as long term receivables. (At the end of 2021: HUF 1,706 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 2022 HUFm	31 December 2021 HUFm
Raw materials, packaging and consumables	45,848	37,899
Production in progress	411	1,233
Semi-finished and finished goods	67,956	53,203
Total	**114,215**	**92,335**

The 2022-year end balance of inventory increased by almost 24% (HUF 21.9 billion) compared to the end of the comparative period.
The value of purchased stock increased by 21%, while the value of self-produced inventory increased by 27.7%. The year-end value of self-production inventories in process was approximately the third of last year's closing amount.

There was a significant increase in the value of inventories in both own-produced and purchased finished products (HUF 7,9 billion and HUF 14,8 billion). Within the portfolio continued the grow of the high value-added products in 2022 also closely related to the specialty pharma transformation. Regarding 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 2022, impairment of HUF 6,811 million was recorded and HUF 512 million was reversed, while HUF 2,336 million and HUF 45 million respectively in 2021. 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 2022 the total carrying amount of inventories that are valued at net realizable value amounts to HUF 112 million, as of 31 December 2021 it was HUF 173 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 2022 HUFm	31 December 2021 HUFm
Current contract assets	4,254	2,452
Total contract assets	**4,254**	**2,452**

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 2022 HUFm	31 December 2021 HUFm
Trade receivables (3rd parties)	93,239	93,170
Amounts due from related companies and other participations	117,046	68,795
Total	**210,285**	**161,965**

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

	2022 HUFm	2021 HUFm
At 1 January	**2,331**	**2,381**
Provision for receivables impairment	169	29
Reversal of impairment for trade receivables, withdrawal	(1,395)	(79)
At 31 December	**1,105**	**2,331**

Impairment of trade receivables (HUFm)

31 December 2022	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	0.02%	0.05%	0.37%	0.30%	0.28%	79.86%	**0.52%**
Gross carrying amount – trade receivables	196,248	6,653	4,103	1,654	1,421	1,311	**211,390**
Loss allowance	31	3	15	5	4	1,047	**1,105**

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**

25. Other current assets

	31 December 2022 HUFm	31 December 2021 HUFm
Loans given to employees	201	463
Other receivables	19,062	6,478
Prepayments	1,954	415
Tax and duties recoverable	975	3,050
Advances	5,798	8,070
Prepayments	3,336	2,397
Total	**31,326**	**20,873**

The Company presents approved but not financially settled grants amount of HUF 2,243 million due within 1 year, related to acquisition of property, plant and equipment and research and development activities. (In 2021: HUF 2,727 million)

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 2022 HUFm	31 December 2021 HUFm
Loans given to related parties	23,340	6,845
Other loans given	16,478	553
Government securities, corporate bonds	27,807	-
Total	**67,625**	**7,398**

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 are signs to make impairment for assets presented in AC model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Company. The Company has three Russian financial instruments that are directly or indirectly affected. One of these is recorded at amortized cost. During the calculation of the

expected credit loss (ECL), the Company applied the DCF model and calculated an ECL according to the differences between the present values of the expected future cash flows and book value at amortized cost. The difference (HUF 21 million) was impaired in the P&L. There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage I., the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model.

The impairment of loans related to current financial assets at amortised cost are detailed in Note 17.

27. Current financial assets carried at fair value through other comprehensive income

	31 December 2022 HUFm	31 December 2021 HUFm
Government securities, corporate bonds	1,536	-
Other securities	-	-
Total	**1,536**	**-**

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 (Solely Payments of Principal and Interest) test is met. The relevant part of the accounting policy can be found 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.

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 2022 HUFm	31 December 2021 HUFm
Current tax assets	-	154
Current tax liabilities	2,856	1,313

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 2022 HUFm	31 December 2021 HUFm
Bank deposits	51,385	33,850
Cash on hand	-	-
Total (Note 9)	**51,385**	**33,850**

The total amount of Cash and cash equivalents as at 31 December 2022 and 31 December 2021 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 2022 HUFm	31 December 2021 HUFm
Cash and cash equivalents	51,385	33,850
Cash-pool receivable	8,509	6,158
Cash-pool overdraft	(1,205)	(1,105)
Total	**58,689**	**38,903**

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.

	31 December 2022		31 December 2021	
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 Company on 31 December 2022:

Ordinary shares	**Ownership number**	**Voting rights* %**	**Share capital %**
Domestic ownership	**62,278,172**	**33.42**	**33.42**
State ownership total	126	0.00	0.00
out of which MNV Zrt.	-	-	-
out of which Municipality	126	0.00	0.00
Institutional investors	54,918,917	29.47	29.47
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	7,359,129	3.95	3.95
International ownership	**123,657,438**	**66.35**	**66.34**
Institutional investors	123,442,704	66.24	66.23
out of which FMR LLC	9,457,941	5.08	5.07
Retail investors	214,734	0.11	0.11
Treasury shares and shares transferred to ESOT**	**428,650**	**0.22**	**0.23**
Undisclosed ownership	**10,600**	**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 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.	-	-	-
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.

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 2021	**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**
Current year change in the fair value of debt instruments measured at FVOCI	(3,301)
Current year change in the fair value of equity instruments measured at FVOCI	(666)
Reserve of derecognised debt instrument	2,782
Reserve of derecognised equity instrument	(2,775)
Deferred tax effect	342
At 31 December 2022	**(2,641)**

Deferred tax is accounted for, related 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.
The effective portion is accounted at fair value on the balance sheet date. On termination of hedging relationship the accumulated result is reclassified from cash flow hedge reserve to profit or loss (revenue). The subsequent financial exchange rate effects on the foreign exchange transaction are recognized in the unrealized financial result of the cash-flow hedging transaction until the transaction is closed, when it is reclassified to realized financial result.

	Foreign exchange risk HUFm
At 1 January 2021	**-**
Change in fair value of hedging instrument recognised in OCI	(23)
At 31 December 2021	**(23)**
Change in fair value of hedging instrument recognised in OCI	(8,432)
Reclassified from OCI to profit or loss - hedged item has affected profit or loss	9,275
of which: reclassified to operating profit or loss (correction of the royalty revenue)	*9,180*
of which: reclassified to the unrealised finance gain/(loss)	-
of which: reclassified to the realised finance gain/(loss)	*95*
At 31 December 2022	**820**

In 2022, an amount of HUF 8,455 million fair value difference was accumulated in Other comprehensive income, of which HUF 23 million was in 2021 and HUF 8,432 million in 2022. From this reserve, HUF 9,180 million was transferred to revenue correction during the current financial year, and a loss of HUF 95 million to the realized financial result at the time when the royalty income was settled. The closing value of the positive revaluation of open deals on 31 December 2022 amounts to HUF 820 million.

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.

	2022 HUFm	**2021** HUFm
Expense recognized in current year	2,914	3,804
Treasury share given (Note 31)	(3,545)	(3,453)
Repurchase obligation from ESOT	888	(208)
Total changes in reserve presented in the Statement of Changes in Equity	**257**	**143**

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 2021 and 2022, 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 2022, 9,240 shares were granted to 255 key employees of the Company, while in 2021, 190 employees were granted. The total number of shares distributed were 6,980.

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 2021 and in 2022 as well. The total amount related to the Remuneration Policy was HUF 1.6 billion in 2022, and HUF 1.6 billion in 2021. 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 cannot 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 2022), the Company granted 281,392 treasury shares to 4,847 employees in 2022. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2025 which means the end of vesting period. In 2021, 212,693 treasury shares were granted to 4,783 employees which will be deposited on the employees' security accounts until 2 January 2024.

The AGM held on 12 April 2022 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 157,665 treasury shares during the year.

Treasury shares	2022 Numbers	2021 Numbers
at 1 January	**59,471**	**130,255**
Share purchase	157,665	104,759
Transferred as part of bonus program	(9,240)	(6,980)
Transferred to ESOT	65,386	25,101
Granted pursuant to employee share bonuses	(281,392)	(212,693)
Granted repurchased pursuant to employee share bonuses	26,384	19,029
at 31 December	**18,274**	**59,471**

Book value	2022 HUFm	2021 HUFm
at 1 January	**512**	**951**
Share purchase	1,325	819
Transferred as part of bonus program	(67)	(58)
Transferred to ESOT	385	490
Granted pursuant to employee share bonuses	(2,201)	(1,851)
Granted repurchased pursuant to employee share bonuses	203	161
at 31 December	**157**	**512**

32. Non-current financial 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 2022 HUFm	31 December 2021 HUFm
Debt on issue of bonds	39,843	54,468
Other non-current financial liabilities at FVTPL	2,479	1,818
Total	**42,322**	**56,286**

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 39,843 million on 31 December 2022, and HUF 1,225 million was transferred to Current financial liabilities at fair value through profit or loss.

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 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 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.

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).

In 2022 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.

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.

34. Other non-current liabilities and accruals

	31 December 2022 HUFm	31 December 2021 HUFm
Government grant - deferred income	6,736	6,741
Government grant - prepayments received	1,560	-
Premium of Bond Funding for Growth Scheme	5,197	5,927
Total	**13,493**	**12,668**

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
- for other long-term employee benefits (jubilee bonus);
- 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 2022 HUFm	31 December 2021 HUFm
Other short term provisions	286	26
Long term provisions – for jubilee programs	511	785
Long term provisions – for retirement benefits	2,835	3,824
Total	**3,632**	**4,635**

The provision of the Company at the given period of time:

	31 December 2022 HUFm	Reversal HUFm	Provision HUFm	31 December 2021 HUFm
Compensation	286	-	260	26
Long term provisions – to defined benefit liabilities (according to actuarial valuations)	3,346	(1,661)	398	4,609
Total	**3,632**	**(1,661)**	**658**	**4,635**

	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
Total	**4,635**	**(2,598)**	**625**	**6,608**

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 is 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.

	2022 HUFm	2021 HUFm
Opening value of retirement benefit	**3,824**	**4,350**
Interest costs (charged to the P&L)	122	122
Service costs (charged to the P&L)	197	197
Settlement	(202)	(129)
Actuarial loss/(gain) (charged to the OCI)	(1,106)	(716)
Retirement benefit liability	**2,835**	**3,824**

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 2022 and 2021.

Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate	Year	Discount rate
1	13.09%	11	8.69%	21	8.09%	31	7.88%	41	7.77%
2	12.28%	12	8.58%	22	8.06%	32	7.86%	42	7.76%
3	11.40%	13	8.50%	23	8.03%	33	7.85%	43	7.75%
4	10.68%	14	8.42%	24	8.01%	34	7.84%	44	7.74%
5	10.13%	15	8.35%	25	7.98%	35	7.83%	45	7.74%
6	9.71%	16	8.30%	26	7.96%	36	7.81%	46	7.73%
7	9.40%	17	8.24%	27	7.94%	37	7.80%	47	7.72%
8	9.16%	18	8.20%	28	7.92%	38	7.79%	48	7.72%
9	8.97%	19	8.16%	29	7.91%	39	7.78%	49	7.71%
10	8.82%	20	8.12%	30	7.89%	40	7.78%	50	7.71%

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 (2022)	Annual average rate of fluctuation (2021)
0-25	11.8%	9.9%
26-30	10.9%	9.0%
31-35	8.9%	7.2%
36-40	8.0%	5.9%
41-45	6.5%	4.6%
46-50	5.0%	3.2%
51-55	4.2%	2.6%
56-60	3.5%	2.3%
61-	3.4%	2.3%

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	Pension liability	Jubilee benefit	Total liability	Change (%)
Value of liability		2,835	511	3,346	
Reduced discount curve	-0.50%	2,972	526	3,498	5%
Increased discount curve	0.50%	2,708	498	3,206	-4%
Lower inflation rate	-0.50%	2,705	511	3,216	-4%
Higher inflation and index rate	0.50%	2,989	529	3,518	5%
Reduced rate of fluctuation	75%	3,159	550	3,709	11%
Increased rate of fluctuation	125%	2,563	477	3,040	-9%
Mortality data	100%	2,668	499	3,167	-5%

A 50 basis point shift in the discount curve results in a 5% higher or 4% lower liability value. A 50 basis point decrease in wage inflation results in a 4% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 5% 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 11% increase in the liability, while an increase in the rates to 125% results in an 9% 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 5% 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 2022 HUFm	31 December 2021 HUFm
Borrowings non-current	-	-
Borrowings current	1,205	1,105
Total	**1,205**	**1,105**

The Company does not have any non-current borrowings.
Current borrowings consist of loans taken cash-pool liabilities on 31 December 2022 in amount of HUF 1,205 million, 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 2022 HUFm	31 December 2021 HUFm
Trade payables (3rd parties)	31,391	28,493
Amount due to related companies and other participations (Note 48)	18,445	18,004
Total (Note 9)	**49,836**	**46,497**

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 2023 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".

	31 December 2022 HUFm	31 December 2021 HUFm
Debt on issue of bonds	1,225	1,225
Other non-current financial liabilities at FVTPL	1,711	2,808
Total	**2,936**	**4,033**

40. Other current liabilities and accruals

	31 December 2022 HUFm	31 December 2021 HUFm
Short term accruals	14,482	8,554
Dividend payable	165	161
Wages and payroll taxes payable	1,323	3,468
Deferred income	1,548	1,569
Other taxes	28,027	213
Deposits from customers	399	122
Other liabilities	3,301	491
Premium of Bond Funding for Growth Scheme	730	722
Total	**49,975**	**15,300**

Hungarian Government decided on 23rd December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as an other tax liabilities in 2022.

41. Net cash position

Net cash position was previously presented of cash and cash equivalents (*CCE*) 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. The company defines the net cash position as follows:

***Net cash position** = Cash and cash equivalents + cash pool overdraft +/- non current financial assets/liabilities (which are related to the issued bond)-leasing liabilities*

	31 December 2022 HUFm	31 December 2021 HUFm
Cash and cash equivalents	51,385	33,850
Non-current financial assets carried at fair value through profit or loss (related to issue of bond)	45,983	61,887
Derivative financial assets (interest rate swap - related to issue of bond)	25,906	8,971
Cash-pool	7,304	5,053
Debt on issue of bonds	(41,068)	(55,693)
Derivative financial liabilities (interest rate swap - related to issue of bond)	(25,486)	(8,476)
Leasing liabilities	(1,958)	(2,068)
Net cash position	**62,066**	**43,524**

	Financial assets				Liabilities from financing activities		
	Cash and cash equivalents	Cash-pool	Non-current financial assets carried at fair value through profit or loss (related to issue of bond)	Derivative financial instruments (interest rate swap - related to issue of bond)	Leasing liabilities	Debt on issue of bonds	Total
	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm	HUFm
Net cash as at 1 January 2022	**33,850**	**5,053**	**61,887**	**495**	**(2,068)**	**(55,693)**	**43,524**
Debt on issue of bonds, Repurchase Agreement (Repo)- borrowings	-	-	-	-		(178,487)	**(178,487)**
Repurchase Agreement (Repo) -payments	-	-	-	-	-	178,487	**178,487**
New leasing liabilities	-	-	-	-	(2,785)	-	**(2,785)**
Leasing liabilities - principal payments	-	-	-	-	2,895	-	**2,895**
Purchase of non-current financial assets carried at fair value through profit or loss (related to issue of bond)	-	-	-	-	-	-	**-**
Changes in cash and cash equivalents	17,535	-	-	-	-	-	**17,535**
Changes in cash-pool	-	2,251	-	-	-	-	**2,251**
Other non-cash movements - fair value through profit or loss	-	-	(15,904)	(75)	-	14,625	**(1,354)**
Accrued interest/premium liabilities	-	-	-	-	-	-	**-**
Net cash as at 31 December 2022	**51,385**	**7,304**	**45,983**	**420**	**(1,958)**	**(41,068)**	**62,066**

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.

	2022 HUFm	2021 HUFm
Dividend on ordinary shares	41,934	41,934

A dividend of HUF 225 per share (HUF 41,934 million) was declared in respect of the 2021 results, approved at the Company's Annual General Meeting on 12 April 2022 and paid during the year.

43. Agreed capital commitments and expenses related to investments

	31 December 2022 HUFm	31 December 2021 HUFm
Contractual capital commitments of the Company	10,711	12,439

The Company's capital expenditure program for 2023 approved by the Board of Directors is HUF 67,747 million, from which the contractual capital commitments comprises amounts to HUF 10,711 million which is not shown in the Company's financial statements of 2022.
The above commitments were not recorded neither in the Income Statement, nor in the Balance Sheet.

44. Guarantees provided by the Company

The company does not have any guarantees provided to third parties.

45. Employee information

	2022	2021
Average number of people employed during the year	6,081	6,368

46. Social security and pension schemes

The Company has provided in relation to the employees in Hungary social contribution tax amounting to 13 % which are paid during 2022 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 2.044 HUF million in 2022 (HUF 1,920 million in 2021).

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

47. Contingent liabilities

The company has no contingent liabilities.

48. Related party transactions

Details of transactions between the Company and its subsidiaries are disclosed 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%.

	2022 HUFm	**2021** HUFm
Dividend paid to HNAM Inc.	-	2,203

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 2022 HUFm	31 December 2021 HUFm
Loans provided to subsidiaries	58,117	36,868
Loans to joint ventures	5,692	5,067
Loans to associated companies	158	158
Impairment on loans provided to subsidiaries (BS)	(10,273)	(4,981)
Impairment on loans provided to joint ventures (BS)	(79)	-
Impairment on loans provided to associates (BS)	(158)	(158)
Impairment on loans provided to subsidiaries (P&L)	(5,291)	(492)
Impairment on loans provided to joint ventures (P&L)	(79)	
Impairment on loans provided to associates (P&L)	(1)	(155)
Convertible promissory note to associates	1,664	1,664
Convertible promissory note to associates (BS)	(1,664)	(1,664)
Convertible promissory note to associates (P&L)	(1,664)	(1,664)
Accounts receivables from subsidiaries	113,811	65,243
Accounts receivables from joint-ventures	-	313
Accounts receivables from associates	3,388	3,380
Impairment on accounts receivables from subsidiaries (BS)	(180)	(141)
Impairment on accounts receivables from subsidiaries (P&L)	(39)	(1)
Accounts payables from subsidiaries	18,433	17,988
Accounts payables from joint-ventures	-	9
Accounts payables from associates	12	7
Revenue from subsidiaries	216,542	124,120
Revenue from joint ventures	96	176
Revenue from associates	18,933	17,612

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	
	2022	**2021**
	HUFm	HUFm
Board of Directors	104	96
Supervisory Board	36	32
Total	**140**	**128**

48.3. Key management compensation

	2022	**2021**
	HUFm	HUFm
Salaries and other employee benefits	2,113	1,924
Share-based payments	738	741
Total compensation	**2,851**	**2,665**
Social contribution tax	275	298
Total	**3,126**	**2,963**

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 60 people. There were no redundancy payments to key Management members in 2022 and 2021.

49. Assets Held for Sale

Neither in 2022 nor in 2021 did the Company have any assets held for sale.

50. Notable events in 2022

The Company's main objectives for 2022 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to expand the women's healthcare business; to develop a new original CNS product; and to take further steps in the development of biosimilar products.

The biggest impact on Richter's operating environment in 2022 was Russia-Ukraine war.

In 2022 major changes took place in the following areas:

- 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.

- On 24 February 2022, Russian armed forces invaded Ukraine and occupied the south-eastern part of the country. A sustained war conflict ensued. Richter Gedeon Plc's operations in Russia and Ukraine have been severely affected by the war. The Company presented the impact of the situation after the Russian-Ukrainian conflict in Note 3.1. Key sources of estimation uncertainty.

- On 11 March 2022, Richter. and AbbVie announced a new co-development and license agreement to research, develop and commercialize novel dopamine receptor modulators for the potential treatment of neuropsychiatric diseases. The collaboration is based on the results of preclinical research carried out by Richter and includes several new chemical entities selected for development.

- On 27 April 2022, Richter's partner, AbbVie announced that Health Canada has approved Vraylar® as monotherapy for the acute management of manic, mixed, and depressive episodes associated with bipolar I disorder in adults, as well as the treatment of schizophrenia in adults.

- From 1 May, 2022, Mr István Hamecz, previous Director of Tax and Treasury, took the lead of the Company's Directorate of Finance from Dr. Gábor Gulácsi. Mr György Thaler, Director of Product Development, resigned from his position. Directorate of Development as a self-contained structural unit was terminated. Its activities were rearranged to other structural units with the centralization of the special skills and knowledge needed and a unified Research and Development Directorate was established.

- On 12 May 2022, Richter and Searchlight Pharma Inc. announced that Searchlight has assumed all Canadian distribution and promotional activities for Evra®, a transdermal contraceptive patch. This transition, which covers regulatory, distribution and promotional responsibilities in Canada, stems from the acquisition of ex-US rights to the Evra® brand by Richter from Janssen Pharmaceutica NV, a wholly-owned subsidiary of Johnson & Johnson, in December 2020.

- On 21 October 2022, Richter Group and Dr. Max BDC, s.r.o. announced that Richter's indirect Romanian subsidiary, Armedica Trading S.R.L has signed a share sale and purchase agreement to divest the Richter Group's Romanian wholesale and retail operations (Pharmafarm S.A. and Gedeon Richter Farmacia S.A., respectively) to Mediplus Exim S.R.L, a Romanian subsidiary of A&D Pharma, both being members of Dr. Max Group. The purchase price is due on the closure of the transaction pending on the approval of the Romanian competition authority.

- On 25 October 2022, the Company announced that it has submitted a Type II Variation application for Ryeqo® (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) to the European Medicines Agency (EMA) for the treatment of moderate to severe pain associated with endometriosis in adult women of reproductive age with a history of previous medical or surgical treatment for their endometriosis. Ryeqo® is already approved by the EMA for the treatment of moderate to severe symptoms of uterine fibroids in adult women of reproductive age since July 2021.

- From November 15, 2022 Mr. Erik Bogsch resigns from his position regarding the direct supervision of Commercial, International and Government Relations, and in the future he will assist the Company's operations as advisor. Mr. Erik Bogsch continues to be member of the Board of Directors of Richter and will simultaneously serve as Chairman in the body of the Board of Directors, in the capacity of which he takes a relevant role in the strategic management of the Company. The direct supervision of Commercial, International and Government Relations in the future will be carried out by Mr. Gábor Orbán, Chief Executive Officer.

- On 19 December 2022, Richter's partner AbbVie announced that the U.S. Food and Drug Administration (FDA) has approved Vraylar® (cariprazine) as an adjunctive therapy to antidepressants for the treatment of major depressive disorder (MDD) in adults. Supported by clinical data demonstrating efficacy and well-established tolerability, this additional indication provides a new option for adults who have a partial response to the treatment of an antidepressant.

- On 20 December 2022, Richter announced it has signed a Binding Term Sheet (BTS) with Mithra Pharmaceuticals for the commercialisation of Donesta®, an estetrol-based product candidate for Hormone Replacement Therapy in postmenopausal women. The territories covered by the BTS are geographical Europe, including Russia and CIS countries, Latin America, Australia and New Zealand. The parties intend to finalise their partnership in an agreement during the first quarter 2023.

- On 4 June 2022 the Government of Hungary issued a decree (Government Decree of 197/2022. (VI.4.)) imposing new taxes on a number of industries, which has been extended on 23 December 2022 to the pharmaceutical industry (Government Decree of 582/2022 (XII.23.)). The extraordinary pharmaceutical tax is levied on the actual business year's annual net sales of pharmaceutical products and active pharmaceutical ingredients as defined by the Local Tax Act and is payable for the years 2022 and 2023. The impact of the supplementary tax on the Company's financial statements is presented in Note 5.

51. Events after the date of the balance sheet

- On 7 February 2023 Richter announced that it has acquired from shareholders of Consilient Health 100% control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. The transaction value is GBP 32.5 million.

- On 15 February 2023 Richter and Mithra Pharmaceuticals signed a licence agreement for the commercialisation of Donesta®, a novel product candidate for the treatment of post-menopausal symptoms. The completion of the agreement follows the signing of the Binding Term Sheet by the parties on 20 December 2022.

Management is not aware of other post-balance sheet date events that might be material to the Company's business.

52. Approval of financial statements

Current Financial Statements have been approved by the Board of Directors and authorized for release at 9 March 2023.

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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