# Gedeon Richter

# Report to the Budapest Stock Exchange
# 3 months to March 2021

# Contents



Consolidated figures are prepared in accordance with relevant IFRS regulations and presented in million Hungarian Forint (HUFm). The Report may also contain figures in other currencies but only for indicative purposes.

Detailed explanations to selected items presented in the tables are offered in the two 'Notes' sections as numbered in the respective tables.

With effect from 1 January 2021 United Kingdom exited the European Union. Consequently, the Group has amended its previous regional classification of turnover.

Those countries which belonged to the previous EU15 region, including United Kingdom, can now be found in the Western European subregion. (This group includes the following countries: Austria, Belgium, Denmark, Finland, France, Greece, Netherland, Ireland, Luxembourg, United Kingdom, Germany, Italy, Portugal, Spain and Sweden).

Romania, Poland and the EU10 countries have been included into one subregion, called Central and Eastern Europe. (The following countries are included in this subregion: Bulgaria, Cyprus, Czech Republic, Estonia, Croatia, Poland, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia).

Subregions of Central and Eastern Europe and Western Europe together are part of region Europe.

All other geographies remained unchanged both in respect of their denomination and the countries included.

For comparison reasons base period data have been reclassified accordingly.

"A number of factors weighed on revenues in the first quarter of 2021. A very strong base in the first three months 2020, a decline in the value of the RUB, the absence of a flu season, as well as still limited access to physicians by patients, have all contributed to weaker orders from distributors in the first months of this year.

Instead of grieving over events outside our control, we continue to focus on strengthening our specialty business (Reagila® and Evra® in particular), progressing with product registrations and preparing for new innovative product launches in Women's Healthcare later this year. At the same time, we implemented short-term cost control measures in SG&A as a reaction to the above headwinds, and relentlessly pursue our internal efficiency programs with the aim of unlocking the full potential of the organisation."

Gábor Orbán

# Executive Summary

| Consolidated sales | HUFm 2021 | HUFm 2020 | Change | % | EURm 2021 | EURm 2020 |
|---|---|---|---|---|---|---|
| | 3 months to March | | | % | 3 months to March | |
| Total | 140,894 | 141,426 | -532 | -0.4 | 389.0 | 415.8 |

| Pharma sales | HUFm 2021 | HUFm 2020 | Change | % | Notes | EURm 2021 | EURm 2020 |
|---|---|---|---|---|---|---|---|
| | 3 months to March | | | % | | 3 months to March | |
| Hungary | 11,016 | 10,781 | 235 | 2.2 | 6) | 30.4 | 31.7 |
| Europe* | 36,886 | 39,426 | -2,540 | -6.4 | 7) | 101.8 | 115.9 |
| CEE | 17,969 | 21,059 | -3,090 | -14.7 | | 49.6 | 61.9 |
| WEU | 18,917 | 18,367 | 550 | 3.0 | | 52.2 | 54.0 |
| CIS | 26,400 | 34,394 | -7,994 | -23.2 | 8) | 72.9 | 101.1 |
| Russia | 18,165 | 22,157 | -3,992 | -18.0 | | 50.1 | 65.1 |
| Ukraine | 2,416 | 4,109 | -1,693 | -41.2 | | 6.7 | 12.1 |
| Other CIS | 5,819 | 8,128 | -2,309 | -28.4 | | 16.1 | 23.9 |
| USA | 24,479 | 19,349 | 5,130 | 26.5 | 9) | 67.6 | 56.9 |
| China | 1,624 | 3,212 | -1,588 | -49.4 | 10) | 4.5 | 9.4 |
| Latin America | 3,448 | 2,275 | 1,173 | 51.6 | 11) | 9.5 | 6.7 |
| RoW | 8,216 | 7,132 | 1,084 | 15.2 | 12) | 22.7 | 21.0 |
| Total | 112,069 | 116,569 | -4,500 | -3.9 | | 309.4 | 342.7 |

* excluding Hungary

| Specialty sales | HUFm 2021 | HUFm 2020 | Change | % | Notes | EURm 2021 | EURm 2020 |
|---|---|---|---|---|---|---|---|
| | 3 months to March | | | % | | 3 months to March | |
| cariprazine | 21,487 | 15,687 | 5,800 | 37.0 | 1) | 59.3 | 46.1 |
| Vraylar® royalty | 20,801 | 14,911 | 5,890 | 39.5 | | 57.4 | 43.8 |
| Reagila® | 686 | 776 | -90 | -11.6 | | 1.9 | 2.3 |
| WHC | 39,050 | 41,434 | -2,384 | -5.8 | 2) | 108.0 | 121.8 |
| Bemfola® | 5,255 | 4,758 | 497 | 10.4 | 3) | 14.5 | 14.0 |
| Evra® royalty | 3,373 | - | 3,373 | n.a. | 4) | 9.3 | - |
| OCs | 24,723 | 28,586 | -3,863 | -13.5 | | 68.3 | 84.1 |
| teriparatide | 2,375 | 1,839 | 536 | 29.1 | 5) | 6.6 | 5.4 |
| Total | 62,912 | 58,960 | 3,952 | 6.7 | | 173.9 | 173.3 |
| Proportion to Pharma sales (%) | 56.1 | 50.6 | | | | | |

| Wholesale and retail sales | HUFm 2021 | HUFm 2020 | Change | % | Notes | EURm 2021 | EURm 2020 |
|---|---|---|---|---|---|---|---|
| | 3 months to March | | | % | | 3 months to March | |
| Total | 31,210 | 28,970 | 2,240 | 7.7 | | 86.2 | 85.2 |

**Exchange rate gain at consolidated sales level:** HUF 312m

### Selected exchange rates – period averages

| | 2021 Q1 | 2020 Q1 |
|---|---|---|
| EURHUF | 362.18 | 340.15 |
| USDHUF | 301.37 | 308.41 |
| RUBHUF | 4.01 | 4.57 |
| CNYHUF | 46.73 | 44.16 |

### Selected consolidated business metrics

| | HUFm | |
|---|---|---|
| | 2021 | 2020 |
| | 3 months to March | |
| Gross margin* % | 55.5 | 56.7 |
| Operating margin % | 17.3 | 17.8 |
| Profit margin attributable to owners of the parent % | 19.1 | 20.5 |

Note * see Appendix

## COVID-19 pandemic – crisis management

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

According to OECD Statistics global GDP declined by 4.2 % in 2020 due to the social and economic effects of the COVID-19 pandemic. The pharmaceutical industry has been also fundamentally impacted by the COVID-19 pandemic and the restrictive response measures implemented by authorities worldwide.

Notwithstanding the above, Richter managed to service its customers on time and in full also into the first quarter 2021 despite a further rise in the case numbers of COVID-19 infections across our countries of operation. The health and wellbeing of our team remained the focus of Management, while the supply of high quality and affordable medication was successfully maintained worldwide throughout the reported period.

Promotional activities did not change significantly in the first quarter 2021 when compared to previous months. In-person promotion represented around 85% on an average of total marketing approaches in our geographies of operation.

With a strong balance sheet and a positive cashflow, our cautious approach to receivables management further added to Richter’s resilience during the ongoing global economic turbulence. No disruption to the usual payment procedures occurred in the reported period.

# Notes to Specialty Sales

## 1) Cariprazine – Central Nervous System

Vraylar® **royalty income** due to Richter in first quarter 2021 amounted to HUF 20,801m (USD 69.0m). This amount contributed materially to the sales levels achieved during the reported quarter.

No sales related **milestones** were accounted for in respect of Vraylar® sales recorded in the USA both in the reported quarter and in the base period.

**Proceeds from** Reagila® amounted to HUF 686m (EUR 1.9m) during the reported quarter.

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

| | Turnover (Royalties included) | | | | |
|---|---|---|---|---|---|
| | 2021 Q1 | 2020 Q4 | 2020 Q3 | 2020 Q2 | 2020 Q1 |
| USDm / Vraylar® (royalty+API) | 69.2 | 76.3 | 68.2 | 58.8 | 54.1 |
| EURm / Reagila® (royalty+product sales) | 1.9 | 3.0 | 2.5 | 2.8 | 2.4 |

### Recent developments

### USA

Vraylar® after a strong fourth quarter in 2020 and with the usual greater than average discounts associated to first quarters, showed some decline in the net sales of 2021Q1 in comparison to 2020Q4. However, the yearly growth rate for the same quarter was 39.5% when expressed in HUF terms.

Two phase III clinical trials are ongoing in the USA to determine efficacy, safety and tolerability of cariprazine as an adjunctive treatment of Major Depressive Disorder (MDD).

### Europe

Reagila® was launched earlier with reimbursement by Richter in the following countries of the Central and Eastern European region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia.

The product had been on the market previously in Romania, in Poland and in Lithuania without reimbursement.

In the WEU region Reagila® had earlier been introduced with reimbursement and commercialized by Recordati in 11 markets. In addition, the product had already been on the market in Belgium without reimbursement and become available in Austria during the reported period with a parallel submission for reimbursement.

**Europe – Countries outside the European region**

The product was launched by Richter with reimbursement in Montenegro and without reimbursement in Serbia.

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

**CIS**

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

**Other markets**

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

Following successful registration Reagila® is on the market in Israel, marketed by Dexcel.

In the reported period Reagila® was launched in the Kingdom of Saudi Arabia by Hikma, followed last year's launch in Jordan. Further regulatory activities are ongoing in a number of MENA countries.

Reagila® is marketed in Singapore and Thailand by Richter's local partner, Mitsubishi Tanabe Pharma Corporation. In addition, the product received regulatory approval in Malaysia during 2020.

Altogether by the end of the first quarter 2021 cariprazine was available in 40 countries globally including the USA and Hungary, with reimbursement in the majority of those countries where a reimbursement system is in place.

## 2) Women's Healthcare – Core Business

### WHC sales by region

| | HUFm | | | | EURm | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | | 2021 | 2020 |
| | 3 months to March | | | % | 3 months to March | |
| Hungary | 1,332 | 1,121 | 211 | 18.8 | 3.7 | 3.3 |
| Europe* | 19,954 | 19,812 | 142 | 0.7 | 55.1 | 58.2 |
| CEE | 4,887 | 4,268 | 619 | 14.5 | 13.5 | 12.5 |
| WEU | 15,067 | 15,544 | -477 | -3.1 | 41.6 | 45.7 |
| CIS | 7,654 | 9,983 | -2,329 | -23.3 | 21.2 | 29.4 |
| Russia | 6,181 | 7,914 | -1,733 | -21.9 | 17.1 | 23.3 |
| Ukraine | 533 | 645 | -112 | -17.4 | 1.5 | 1.9 |
| Other CIS | 940 | 1,424 | -484 | -34.0 | 2.6 | 4.2 |
| USA | 2,122 | 3,167 | -1,045 | -33.0 | 5.9 | 9.3 |
| China | 951 | 2,542 | -1,591 | -62.6 | 2.6 | 7.5 |
| Latin America | 2,844 | 1,508 | 1,336 | 88.6 | 7.9 | 4.4 |
| RoW | 4,193 | 3,301 | 892 | 27.0 | 11.6 | 9.7 |
| Total | 39,050 | 41,434 | -2,384 | -5.8 | 108.0 | 121.8 |

* excluding Hungary

WHC sales in the first quarter 2021 fell below the levels recorded in same quarter of the previous year. Lower sales recorded in Russia, Ukraine most of the Other CIS republics, China and USA could not be offset by higher sales levels achieved in Latin America, Rest of the World and Central and Eastern European countries. Sales of this product group was also supported by royalty income received in respect of Evra® sales. Declining sales reported both in Russia and in China resulted from uneven timing of shipments. Royalty income of Evra® and higher sales levels of Bemfola® were more than offset by lower sales levels of oral contraceptives.

### Proportion of WHC sales to total pharmaceutical turnover – by region

| | % | |
|---|---|---|
| | 2021 | 2020 |
| | 3 months to March | |
| Hungary | 12.2 | 10.4 |
| Europe* | 54.1 | 50.2 |
| CEE | 27.2 | 20.2 |
| WEU | 79.7 | 84.6 |
| CIS | 29.1 | 29.1 |
| USA | 8.7 | 16.3 |
| China | 57.8 | 79.8 |
| Latin America | 83.2 | 65.7 |
| RoW | 51.1 | 46.2 |
| Total | 34.9 | 35.5 |

* excluding Hungary

## Western Europe Top 5 markets

| | MEUR | |
|---|---|---|
| | **2021** | **2020** |
| | 3 months to March | |
| Germany | 9.0 | 11.3 |
| Spain | 8.2 | 7.7 |
| Italy | 5.1 | 7.0 |
| France | 4.8 | 6.5 |
| UK | 4.6 | 4.1 |
| Total Top 5 Sales | 31.7 | 36.6 |
| Total WEU Sales | 41.6 | 45.7 |
| Total Top 5 Sales % | 76.2 | 80.1 |

## 3) Bemfola® – Women's Healthcare

| | HUFm | | | | EURm | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **Change** | | **2021** | **2020** |
| | 3 months to March | | | % | 3 months to March | |
| Hungary | 149 | 136 | 13 | 9.6 | 0.4 | 0.4 |
| Europe* | 4,257 | 3,863 | 394 | 10.2 | 11.7 | 11.4 |
| CEE | 583 | 460 | 123 | 26.7 | 1.6 | 1.4 |
| WEU | 3,674 | 3,403 | 271 | 8.0 | 10.1 | 10.0 |
| CIS | 20 | - | 20 | 0.0 | 0.1 | 0.0 |
| RoW | 829 | 759 | 70 | 9.2 | 2.3 | 2.2 |
| Total | 5,255 | 4,758 | 497 | 10.4 | 14.5 | 14.0 |

* excluding Hungary

Following growth of HUF 497m, the HUF 5,255m turnover achieved by Bemfola® in the first quarter 2021 qualified the product for third place ranking on the list of Top10 products. Improving sales occurred subsequent to fertility centres partially resuming their activities in many European countries. Total sales performance of this product reported for the three months to March 2021 in EUR terms increased by 3.6% when compared to the first quarter 2020.

### 4) Evra® – Women's Healthcare

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 licence agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. Royalty type revenues linked to sales of Evra® and paid by Janssen during this transitional period are being reported as sales. In the first reported period following royalty proceeds of Evra®, the product ranked 8th on our Top10 products list.

Royalty income recorded by this product during the first quarter 2021 amounted to HUF 3,373m (EUR 9.3m)

### 5) Teriparatide – biosimilar portfolio

Total sales proceeds from teriparatide amounted to HUF 2,375m (EUR 6.6m) in the first quarter 2021. Richter launched its biosimilar, Terrosa® in the EU in August 2019 while its license partner, Mochida Pharmaceuticals introduced the product in Japan in late November of the same year. In addition to the above, the product was launched during 2020 by Daewon Pharmaceutical Co. Ltd. in South Korea and by Avir Pharma Inc. in Canada, while our Israeli partner, Dexcel Pharma received marketing authorization for the product in the same year. The product was launched on 10 March 2021 on this market. Sales proceeds from Japan contributed by HUF 610m representing 26% of total sales achieved by the product.

# Notes to Pharmaceutical Sales

### 6) Hungary

The underlying market declined by 7.5% primarily due to pandemic related forestalling experienced in the base period and retail sales of Richter products suffered a substantial decrease of 13.0% according to the latest available IQVIA (successor of IMS) data. The Company is now ranked No. 5 amongst players in the Hungarian pharmaceutical market with a market share of 4.6%. Taking into account the prescription drugs retail market alone, Richter qualifies for second place with a market share of 7.3%.

### 7) Europe

The **Central and Eastern European** region sales represented 49% of total European sales of the Group's pharmaceutical segment.

In **Poland**, sales of our antiviral product, Groprinosin declined substantially as a consequence of its high base a year earlier.

Lower sales of seasonal products and a strong base effect resulted in a weak performance in **Romania.**

Turnover in the **Western European** region increased by 3.0% expressed in HUF terms. Growth recorded in Germany, Sweden and Austria contributed the most to the sales level achieved during the reported period. As far as the product portfolio is concerned higher sales of Bemfola® and Terrosa® and royalty proceeds of Evra® more than offset lower oral contraceptives sales. The region represented 51% to total European pharmaceutical sales.

### 8) CIS

Sales to **Russia** at HUF 18,165m (RUB 4,529.9m) declined by 18.0% in HUF terms (6.6% decline in RUB terms). The RUB depreciated against the HUF on an average of 12.3% compared to the first quarter 2020. Although the market environment remained volatile direct promotional activities resumed at levels experienced prior to the pandemic. High sales levels recorded in the previous year preceding certain regulatory changes were the main reasons for the decline reported in the first quarter 2021.

A price adjustment of an average 4.1% impacted positively our overall portfolio during the first quarter 2021.

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

Product serialization linked to a track and trace system was implemented in Russia with effect from 1 July 2020. The negative impact of these administrative measures remained contained.

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

Sales levels during the reported quarter at EUR 50.1m declined by EUR 15.0m when compared to the first quarter 2020 partly impacted by the RUB falling sharply against the EUR during the first quarter, year-on-year.

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

Sales reported in **Ukraine** in the first quarter 2021, at USD 8.0m declined primarily due to a high level of regulatory related pre-shipments realised in the fourth quarter 2020 preceding certain regulatory changes. Sales to **Other CIS** markets reported declines in HUF terms partly due to pre-shipments realised in the base period. Worsening exchange rates were also experienced in certain countries of this group.

**9) USA**

The significant year-on-year growth in the **USA**, our leading market as far as revenue is concerned, was primarily due to the accelerating royalty income linked to Vraylar® based on turnover achieved by our partner, AbbVie/Allergan. These revenues amounted to USD 69.0 during the reported period, representing an increase of USD 20.7m when compared to the first quarter 2020.

Lower turnover recorded in respect of finished form Plan B / Plan B One-Step together with a decline in API sales impacted adversely our turnover achieved.

**10) China**

The delisting of Cavinton injectables from 1 January 2020 resulted in a significant loss of sales of this product. Additionally, certain pre-shipments, which occurred in the fourth quarter of 2020 also impacted negatively our sales level achieved in the reported quarter.

**11) Latin America**

Higher turnover was recorded in most countries of this region. Increasing sales levels reported in Mexico, Chile and Brazil contributed primarily to the outstanding sales performance achieved during the first three months to March 2021. As for product portfolio, royalty proceeds of Evra® and an increase of oral contraceptives contributed the most to the sales growth achieved.

### 12) Rest of the World

Vietnam with oral contraceptives, Australia with Bemfola® and Canada with royalty proceeds of Evra® contributed materially to the sales performance achieved during the reported period.

# Background Information on Pharmaceutical Sales

### by region in currencies of invoicing

| | Currency (million) | 2021 | 2020 | Change % |
|---|---|---|---|---|
| | | 3 months to March | | |
| Hungary | HUF | 11,016 | 10,781 | 2.2 |
| Europe* | EUR | 101.8 | 115.9 | -12.2 |
| CEE | EUR | 49.6 | 61.9 | -19.9 |
| WEU | EUR | 52.2 | 54.0 | -3.3 |
| CIS | EUR | 72.9 | 101.1 | -27.9 |
| | USD | 87.6 | 111.5 | -21.4 |
| Russia | RUB | 4,529.9 | 4,848.3 | -6.6 |
| Ukraine | USD | 8.0 | 13.3 | -39.8 |
| Other CIS | EUR | 16.1 | 23.9 | -32.6 |
| | USD | 19.3 | 26.4 | -26.9 |
| USA | USD | 81.2 | 62.7 | 29.5 |
| China | CNY | 34.8 | 72.7 | -52.1 |
| Latin America | USD | 11.4 | 7.4 | 54.1 |
| RoW | EUR | 22.7 | 21.0 | 8.1 |
| | USD | 27.3 | 23.2 | 17.7 |

* excluding Hungary

## to Top 10 markets

| | HUFm | | | | EURm | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | | 2021 | 2020 |
| | 3 months to March | | | % | 3 months to March | |
| USA | 24,479 | 19,349 | 5,130 | 26.5 | 67.6 | 56.9 |
| Russia | 18,165 | 22,157 | -3,992 | -18.0 | 50.1 | 65.1 |
| Hungary | 11,016 | 10,781 | 235 | 2.2 | 30.4 | 31.7 |
| Poland | 6,747 | 9,038 | -2,291 | -25.3 | 18.6 | 26.5 |
| Germany | 5,201 | 4,422 | 779 | 17.6 | 14.4 | 13.0 |
| Spain | 3,645 | 3,390 | 255 | 7.5 | 10.1 | 10.0 |
| Romania | 2,920 | 3,973 | -1,053 | -26.5 | 8.1 | 11.7 |
| Ukraine | 2,416 | 4,109 | -1,693 | -41.2 | 6.7 | 12.1 |
| Czech Rep. | 2,333 | 2,430 | -97 | -4.0 | 6.4 | 7.1 |
| Slovakia | 2,236 | 1,954 | 282 | 14.4 | 6.2 | 5.7 |
| Total Top 10 | 79,158 | 81,603 | -2,445 | -3.0 | 218.6 | 239.8 |
| Total Sales | 112,069 | 116,569 | -4,500 | -3.9 | 309.4 | 342.7 |
| Total Top 10 / Total Sales % | | | | | 70.7 | 70.0 |

## of Top 10 products

| | HUFm | | | | EURm | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | | 2021 | 2020 |
| | 3 months to March | | | % | 3 months to March | |
| Oral contraceptives | 24,723 | 28,586 | -3,863 | -13.5 | 68.3 | 84.1 |
| Vraylar® / Reagila® / cariprazine | 21,556 | 15,725 | 5,831 | 37.1 | 59.5 | 46.2 |
| Bemfola® | 5,255 | 4,758 | 497 | 10.4 | 14.5 | 14.0 |
| Verospiron | 3,863 | 4,116 | -253 | -6.1 | 10.7 | 12.1 |
| Cavinton | 3,858 | 5,207 | -1,349 | -25.9 | 10.7 | 15.3 |
| Panangin | 3,562 | 3,937 | -375 | -9.5 | 9.8 | 11.6 |
| Mydeton | 3,457 | 4,153 | -696 | -16.8 | 9.5 | 12.2 |
| Evra® | 3,373 | - | 3,373 | n.a | 9.3 | - |
| Aflamin | 2,626 | 2,728 | -102 | -3.7 | 7.3 | 8.0 |
| Quamatel | 2,589 | 2,261 | 328 | 14.5 | 7.1 | 6.6 |
| Total Top 10 | 74,862 | 71,471 | 3,391 | 4.7 | 206.7 | 210.1 |
| Total Sales | 112,069 | 116,569 | -4,500 | -3.9 | 309.4 | 342.7 |
| Total Top 10 / Total Sales % | | | | | 66.8 | 61.3 |

# Background Information on Wholesale and Retail Sales

| | HUFm | | | | EURm | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Change | | 2021 | 2020 |
| | 3 months to March | | | % | 3 months to March | |
| Europe* | 25,628 | 22,558 | 3,070 | 13.6 | 70.8 | 66.3 |
| CEE | 25,628 | 22,558 | 3,070 | 13.6 | 70.8 | 66.3 |
| CIS | 4,440 | 5,075 | -635 | -12.5 | 12.2 | 14.9 |
| Other CIS | 4,440 | 5,075 | -635 | -12.5 | 12.2 | 14.9 |
| Latin America | 1,142 | 1,337 | -195 | -14.6 | 3.2 | 4.0 |
| Total | 31,210 | 28,970 | 2,240 | 7.7 | 86.2 | 85.2 |

* excluding Hungary

# Information on Business Segments

| | Pharmaceuticals | | Wholesale and retail | | Other | | Eliminations | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 3 months to March | | 3 months to March | | 3 months to March | | 3 months to March | | 3 months to March | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **P&L items HUFm** | | | | | | | | | | |
| **Revenues** | **112,069** | **116,569** | **31,210** | **28,970** | **1,683** | **1,613** | **(4,068)** | **(5,726)** | **140,894** | **141,426** |
| Cost of sales* | (36,494) | (38,883) | (28,639) | (25,691) | (1,477) | (1,324) | 3,924 | 4,713 | (62,686) | (61,185) |
| Gross profit* | 75,575 | 77,686 | 2,571 | 3,279 | 206 | 289 | (144) | (1,013) | 78,208 | 80,241 |
| **Profit from operations** | **24,471** | **25,632** | **43** | **412** | **23** | **131** | **(153)** | **(976)** | **24,384** | **25,199** |
| Net financial income/(loss) | 1,654 | 6,488 | (251) | (734) | 1 | 5 | - | (42) | 1,404 | 5,717 |
| **Miscellaneous items** | | | | | | | | | | |
| Capital expenditure HUFm | 85,707 | 18,863 | 207 | 177 | 61 | 44 | - | - | 85,975 | 19,084 |
| Number of employees at the end of the period | 10,958 | 11,147 | 1,401 | 1,492 | 411 | 413 | - | - | 12,770 | 13,052 |
| **Business metrics %** | | | | | | | | | | |
| Gross margin* | 67.4 | 66.6 | 8.2 | 11.3 | 12.2 | 17.9 | - | - | 55.5 | 56.7 |
| Operating margin | 21.8 | 22.0 | 0.1 | 1.4 | 1.4 | 8.1 | - | - | 17.3 | 17.8 |

Note * Please see Appendix

# Consolidated Financial Statements

Company name: Gedeon Richter Plc.
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Sector: Pharmaceutical
Reporting period: January-March 2021

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## Consolidated Balance Sheet

| | 31 March 2021 Not audited HUFm | Notes | 31 December 2020 Represented* HUFm | Change % |
|---|---|---|---|---|
| ASSETS | 966,713 | | 948,589 | 1.9 |
| Non-current assets | 580,375 | 13) | 499,071 | 16.3 |
| Property, plant and equipment | 253,091 | | 254,121 | -0.4 |
| Investment property | 109 | | 110 | -0.9 |
| Goodwill | 32,456 | | 31,398 | 3.4 |
| Other intangible assets | 219,273 | | 141,303 | 55.2 |
| Investments in associates and joint ventures | 13,197 | | 12,269 | 7.6 |
| Non-current financial assets at amortised cost | 2,498 | | 1,171 | 113.3 |
| Non-current financial assets at fair value through profit or loss | 11,734 | | 10,797 | 8.7 |
| Non-current financial assets at fair value through other comprehensive income | 36,654 | | 38,216 | -4.1 |
| Deferred tax assets | 8,587 | | 7,139 | 20.3 |
| Long term receivables | 2,776 | | 2,547 | 9.0 |
| Current assets | 386,338 | 14) | 449,518 | -14.1 |
| Inventories | 118,924 | | 110,059 | 8.1 |
| Contract assets | 3,835 | | 3,080 | 24.5 |
| Trade receivables | 136,152 | | 152,652 | -10.8 |
| Other current assets | 26,628 | | 27,162 | -2.0 |
| Current financial assets at amortised cost | 371 | | 371 | 0.0 |
| Current financial assets at fair value | 2,003 | | 7,142 | -72.0 |
| Current tax asset | 1,582 | | 1,196 | 32.3 |
| Cash and cash equivalents | 91,447 | | 142,068 | -35.6 |
| Assets classified as held for sale | 5,396 | | 5,788 | -6.8 |
| EQUITY AND LIABILITIES | 966,713 | | 948,589 | 1.9 |
| Capital and reserves | 842,310 | 15) | 813,939 | 3.5 |
| Share capital | 18,638 | | 18,638 | 0.0 |
| Treasury shares | (4,627) | | (3,791) | 22.1 |
| Share premium | 15,214 | | 15,214 | 0.0 |
| Capital reserves | 3,475 | | 3,475 | 0.0 |
| Foreign currency translation reserves | 23,202 | | 21,039 | 10.3 |
| Revaluation reserve for financial instruments at fair value through other comprehensive income | 571 | | 974 | -41.4 |
| Retained earnings | 778,730 | | 751,408 | 3.6 |
| Non-controlling interest | 7,107 | | 6,982 | 1.8 |
| Non-current liabilities | 27,407 | | 26,712 | 2.6 |
| Deferred tax liability | 1,300 | | 1,753 | -25.8 |
| Other non-current liabilities and accruals | 19,490 | | 18,306 | 6.5 |
| Provisions | 6,617 | | 6,653 | -0.5 |
| Current liabilities | 96,996 | 16) | 107,938 | -10.1 |
| Trade payables | 53,285 | | 65,838 | -19.1 |
| Contract liabilities | 1,191 | | 772 | 54.3 |
| Current tax liabilities | 1,205 | | 1,993 | -39.5 |
| Other current payables and accruals | 35,996 | | 32,734 | 10.0 |
| Provisions | 3,913 | | 4,866 | -19.6 |
| Liabilities directly associated with assets classified as held for sale | 1,406 | | 1,735 | -19.0 |

* Please see Appendix

Prepared in accordance with IAS 34 Interim Financial Reporting.

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Reporting period: January-March 2021

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Fax: +36-1-261-2158
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Investor relations manager: Katalin Ördög

# Consolidated Statement of Changes in Equity

| HUFm | Share capital | Share premium | Capital reserve | Treasury shares | Revaluation reserves for financial instruments at fair value through other comprehensive income | Foreign currency translation reserve | Retained earnings | Attributable to owners of the parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 13 December 2019 | 18,638 | 15,214 | 3,475 | (3,870) | 8,620 | 22,213 | 653,691 | **717,981** | 6,892 | **724,873** |
| Profit for the year | - | - | - | - | - | - | 29,001 | **29,001** | 109 | **29,110** |
| Exchange differences arising on translation of subsidiaries | - | - | - | - | - | 1,049 | - | **1,049** | 607 | **1,656** |
| Exchange differences arising on translation of associates and joint ventures | - | - | - | - | - | (239) | - | **(239)** | - | **(239)** |
| Changes in the fair value of financial instruments at fair value through other comprehensive income | - | - | - | - | (8,027) | - | 7,254 | **(773)** | - | **(773)** |
| Comprehensive income at 31 March 2020 | - | - | - | - | (8,027) | 810 | 36,255 | **29,038** | 716 | **29,754** |
| Transfer of treasury shares | - | - | - | (24) | - | - | 24 | **-** | - | **-** |
| Recognition of share-based payments | - | - | - | - | - | - | 403 | **403** | - | **403** |
| **Transactions with owners in their capacity as owners for year ended 31 December 2020** | **-** | **-** | **-** | **(24)** | **-** | **-** | **427** | **403** | **-** | **403** |
| Balance at 31 March 2020 | 18,638 | 15,214 | 3,475 | (3,894) | 593 | 23,023 | 690,373 | **747,422** | 7,608 | **755,030** |

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Investor relations manager: Katalin Ördög

| HUFm | Share capital | Share premium | Capital reserve | Treasury shares | Revaluation reserves for financial instruments at fair value through other comprehensive income | Foreign currency translation reserve | Retained earnings | Attributable to owners of the parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2020 | 18,638 | 15,214 | 3,475 | (3,791) | 974 | 21,039 | 751,408 | **806,957** | 6,982 | **813,939** |
| Profit for the year | - | - | - | - | - | - | 26,888 | **26,888** | 64 | **26,952** |
| Exchange differences arising on translation of subsidiaries | - | - | - | - | - | 1,955 | - | **1,955** | 61 | **2,016** |
| Exchange differences arising on translation of associates and joint ventures | - | - | - | - | - | 208 | - | **208** | - | **208** |
| Changes in the fair value of financial instruments at fair value through other comprehensive income | - | - | - | - | (403) | - | - | **(403)** | - | **(403)** |
| Comprehensive income at 31 March 2021 | - | - | - | - | (403) | 2,163 | 26,888 | **28,648** | 125 | **28,773** |
| Purchase of treasury shares | - | - | - | (791) | - | - | - | **(791)** | - | **(791)** |
| Transfer of treasury shares | - | - | - | (45) | - | - | 45 | **-** | - | **-** |
| Recognition of share-based payments | - | - | - | - | - | - | 389 | **389** | - | **389** |
| **Transactions with owners in their capacity as owners for period ended 31 March 2021** | - | - | - | (836) | - | - | 434 | **(402)** | - | **(402)** |
| Balance at 31 March 2021 | 18,638 | 15,214 | 3,475 | (4,627) | 571 | 23,202 | 778,730 | **835,203** | 7,107 | **842,310** |

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Investor relations manager: Katalin Ördög

# Consolidated Income Statement – HUF

| For the year ended 31 December 2020 Audited HUFm | | For the period ended 31 March 2021 Not audited HUFm | Notes | 2020 Restated* HUFm | Change % |
|---|---|---|---|---|---|
| 566,776 | Revenues | 140,894 | | 141,426 | -0.4 |
| (248,006) | Cost of sales | (62,686) | | (61,185) | 2.5 |
| 318,770 | Gross profit | 78,208 | 17) | 80,241 | -2.5 |
| (105,555) | Sales and marketing expenses | (29,058) | 18) | (30,736) | -5.5 |
| (28,211) | Administration and general expenses | (7,429) | 19) | (6,992) | 6.3 |
| (53,977) | Research and development expenses | (15,555) | 20) | (15,114) | 2.9 |
| (17,267) | Other income and other expenses (net) | (1,965) | 21) | (2,302) | -14.6 |
| 1,329 | Reversal of impairment on financial and contract assets | 183 | | 102 | 79.4 |
| 115,089 | Profit from operations | 24,384 | 22) | 25,199 | -3.2 |
| 28,780 | Finance income | 5,876 | | 14,866 | -60.5 |
| (29,605) | Finance costs | (4,472) | | (9,149) | -51.1 |
| (825) | Net financial income/(loss) | 1,404 | 23) | 5,717 | -75.4 |
| 900 | Share of profit of associates and joint ventures | 1,084 | | 984 | 10.2 |
| 115,164 | Profit before income tax | 26,872 | | 31,900 | -15.8 |
| (4,487) | Income and deferred tax | 1,240 | 24) | (1,601) | n.a. |
| (4,625) | Local business tax and innovation contribution | (1,160) | | (1,189) | -2.4 |
| 106,052 | Profit for the year | 26,952 | | 29,110 | -7.4 |
| | Profit attributable to: | | | | |
| 104,683 | Owners of the parent | 26,888 | 25) | 29,001 | -7.3 |
| 1,369 | Non-controlling interest | 64 | | 109 | -41.3 |
| | Statement of comprehensive income | | | | |
| 106,052 | Profit for the year | 26,952 | | 29,110 | -7.4 |
| (1,707) | Actuarial loss on retirement defined benefit plans | - | | - | n.a. |
| (1,077) | Changes in the fair value of equity instruments at fair value through other comprehensive income | (215) | | (773) | -72.2 |
| (2,784) | Items that will not be reclassified to profit or loss (net of tax) | (215) | | (773) | -72.2 |
| (591) | Exchange differences arising on translation of subsidiaries | 2,016 | | 1,656 | 21.7 |
| (103) | Exchange differences arising on translation of associates and joint ventures | 208 | | (239) | n.a. |
| - | Changes in fair value of debt instruments at fair value through other comprehensive income | (188) | | - | - |
| (694) | Items that may be subsequently reclassified to profit or loss (net of tax) | 2,036 | | 1,417 | 43.7 |
| (3,478) | Other comprehensive income for the year | 1,821 | | 644 | 182.8 |
| 102,574 | Total comprehensive income for the year | 28,773 | | 29,754 | -3.3 |
| | Attributable to: | | | | |
| 100,725 | Owners of the parent | 28,648 | | 29,038 | -1.3 |
| 1,849 | Non-controlling interest | 125 | | 716 | -82.5 |
| **HUF** | **Earnings per share (EPS)** | **HUF** | | **HUF** | **%** |
| 563 | Basic | 145 | | 156 | -7.1 |
| 563 | Diluted | 145 | | 156 | -7.1 |

*Please see Appendix

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# Consolidated Income Statement – EUR

| For the year ended 31 December 2020 | | For the period ended 31 March | | |
|---|---|---|---|---|
| 2020 | | 2021 | 2020 | Change |
| Audited | | Not audited | Restated* | |
| EURm | | EURm | EURm | % |
| 1,614.8 | Revenues | 389.0 | 415.8 | -6.4 |
| (706.6) | Cost of sales | (173.1) | (179.7) | -3.7 |
| 908.2 | Gross profit | 215.9 | 236.1 | -8.6 |
| (300.7) | Sales and marketing expenses | (80.2) | (90.5) | -11.4 |
| (80.4) | Administration and general expenses | (20.5) | (20.6) | -0.5 |
| (153.8) | Research and development expenses | (43.0) | (44.4) | -3.2 |
| (49.2) | Other income and other expenses (net) | (5.4) | (6.8) | -20.6 |
| 3.8 | Reversal of impairment on financial and contract assets | 0.5 | 0.3 | 66.7 |
| 327.9 | Profit from operations | 67.3 | 74.1 | -9.2 |
| 82.0 | Finance income | 16.2 | 43.7 | -62.9 |
| (84.4) | Finance costs | (12.3) | (26.9) | -54.3 |
| (2.4) | Net financial income/(loss) | 3.9 | 16.8 | -76.8 |
| 2.6 | Share of profit of associates and joint ventures | 3.0 | 2.9 | 3.4 |
| 328.1 | Profit before income tax | 74.2 | 93.8 | -20.9 |
| (12.8) | Income and deferred tax | 3.4 | (4.7) | n.a. |
| (13.1) | Local business tax and innovation contribution | (3.2) | (3.5) | -8.6 |
| 302.2 | Profit for the year | 74.4 | 85.6 | -13.1 |
| | Profit attributable to: | | | |
| 298.3 | Owners of the parent | 74.2 | 85.3 | -13.0 |
| 3.9 | Non-controlling interest | 0.2 | 0.3 | -33.3 |
| 350.98 | Average exchange rate (EURHUF) | 362.18 | 340.15 | 6.5 |
| | Statement of comprehensive income | | | |
| 302.2 | Profit for the year | 74.4 | 85.6 | -13.1 |
| (4.8) | Actuarial loss on retirement defined benefit plans | - | - | - |
| (3.1) | Changes in the fair value of equity instruments at fair value through other comprehensive income | (0.6) | (2.3) | -73.9 |
| (7.9) | Items that will not be reclassified to profit or loss (net of tax) | (0.6) | (2.3) | -73.9 |
| (1.7) | Exchange differences arising on translation of subsidiaries | 5.5 | 4.9 | 12.2 |
| (0.3) | Exchange differences arising on translation of associates and joint ventures | 0.6 | (0.7) | n.a. |
| - | Changes in fair value of debt instruments at fair value through other comprehensive income | (0.5) | - | - |
| (2.0) | Items that may be subsequently reclassified to profit or loss (net of tax) | 5.6 | 4.2 | 33.3 |
| (9.9) | Other comprehensive income for the year | 5.0 | 1.9 | 163.2 |
| 292.3 | Total comprehensive income for the year | 79.4 | 87.5 | -9.3 |
| | Attributable to: | | | |
| 287.0 | Owners of the parent | 79.1 | 85.4 | -7.4 |
| 5.3 | Non-controlling interest | 0.3 | 2.1 | -85.7 |
| **EUR** | **Earnings per share (EPS)** | **EUR** | **EUR** | **%** |
| 1.60 | Basic | 0.40 | 0.46 | -13.0 |
| 1.60 | Diluted | 0.40 | 0.46 | -13.0 |

*Please see Appendix

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# Consolidated Cash flow Statement

| For the year ended 31 December 2020 Audited HUFm | | For the period ended 31 March 2021 Not audited HUFm | Notes | 2020 Not audited HUFm |
|---|---|---|---|---|
| | **Operating activities** | | | |
| 115,164 | Profit before income tax | 26,872 | | 31,900 |
| 39,846 | Depreciation and amortisation | 11,198 | | 9,969 |
| (2,031) | Non cash items accounted through Consolidated Income Statement | (3,961) | | (1,278) |
| (1,504) | Net interest and dividend income | (273) | | (75) |
| 703 | Changes in provision for defined benefit plans | (16) | | (15) |
| 767 | Reclass of results on changes of property, plant and equipment and intangible assets | 137 | | (342) |
| 8,256 | Impairment recognised on intangible assets and goodwill | - | | - |
| 1,642 | Expense recognised in respect of equity-settled share-based payments | 389 | | 403 |
| | *Movements in working capital* | | | |
| (3,341) | Decrease/(Increase) in trade and other receivables | 16,558 | | 14,438 |
| (13,900) | Increase in inventories | (8,425) | | (6,553) |
| (4,545) | Decrease in payables and other liabilities | (7,941) | | (6,267) |
| (22) | Interest paid | (10) | | (19) |
| (7,515) | Income tax paid | (2,955) | | (2,459) |
| 133,520 | Net cash flow from operating activities | 31,573 | | 39,702 |
| | **Cash flow from investing activities** | | | |
| (36,903) | Payments for property, plant and equipment | (4,529) | 26) | (3,897) |
| (29,735) | Payments for intangible assets | (81,446) | 27) | (15,187) |
| 432 | Proceeds from disposal of property, plant and equipment | 472 | | 348 |
| 2,197 | Government grant received related to investments | 544 | | - |
| (47,454) | Payments to acquire financial assets | (674) | | 1,071 |
| 10,807 | Proceeds on sale or redemption on maturity of financial assets | 5,478 | | - |
| 848 | Disbursement of loans net | (1,327) | | (65) |
| 915 | Interest received | 126 | | 252 |
| 2 | Dividend receives | - | | 1 |
| (98,891) | Net cash flow to investing activities | (81,356) | | (17,477) |
| | **Cash flow from financing activities** | | | |
| (1,650) | Purchase of treasury shares | (791) | | - |
| (13,500) | Dividend paid | - | | - |
| (3,143) | Principal elements of lease payments | (302) | | (625) |
| (18,293) | Net cash flow to financing activities | (1,093) | | (625) |
| 16,336 | Net (decrease)/increase in cash and cash equivalents | (50,876) | | 21,600 |
| 128,573 | Cash and cash equivalents at beginning of year | 142,262 | | 128,573 |
| (2,647) | Effect of foreign exchange rate changes on the balances held in foreign currencies | 316 | | (2,808) |
| 142,262 | Cash and cash equivalents at end of period | 91,702 | | 147,365 |

Cash and cash equivalents at end of period cannot be reconciled directly to Cash and cash equivalents of the Consolidated Balance sheet due to the reclassification of assets held for sale.

Prepared in accordance with IAS 34 Interim Financial Reporting.

# Notes to Consolidated Financial Statements

### 13) Non-current assets

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

The Group has revised the presentation of its financial and non financial instruments in the Balance sheet subsequent to the need for new valuation criteria which emerged in parallel with a higher level of such instruments. (For details see Appendix on page 33.)

### 14) Current assets

Cash and cash equivalents declined primarily as a result of the payment of the purchase price of Evra® contraceptive patch.

Higher Inventories were also built up during the first quarter 2021 in order to diminish supply-related risks linked to the pandemic.

The decrease of Current financial assets at fair value reflects the derecognition of securities.

### 15) Capital and reserves

Retained earnings amounted to HUF 778,730m and increased by HUF 27,322m. The increase was due to profits realized during the reported quarter.

### 16) Current liabilities

Current liabilities have declined, impacted by lower levels of Trade payables together with Other current payables and accruals.

## 17) Gross profit and margin

Gross profit was positively impacted by
- a significant year-on-year increase (HUF 5,890m) in royalties receivable linked to sales of Vraylar® in the USA.
- Royalty accounted for in respect of Evra® (HUF 3,373m) which have appeared as a new item;

while it was negatively impacted by:
- a decline in sales of relatively high margin oral contraceptives;
- the absence of the flu season affected turnover of antiviral Groprinosin negatively in the first quarter 2021 compared to heavy stockpiling in the base period;
- aside of lower sales levels recorded by Cavinton certain branded and traditional generic products have also experienced reduced margins.

**Amortisation of acquired portfolio**
Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 1,045m. Corresponding figures for the base year restated in accordance with the above was HUF 1,091m.

Amortization of Bemfola® amounted to HUF 520m, and we accounted for HUF 893m in respect of Evra® on the same ground during the reported quarter.

**Gross margin**

| | |
|---|---|
| 55.5% | 56.7% |

Gross margin declined during the reported quarter when compared to that achieved in the base period as a result of the previously detailed offsetting items. This was partly due to lower turnover achieved by the core Pharmaceutical segment, while the lower margin Wholesale and retail business reported higher turnover.

## 18) Sales and marketing expenses

Proportion to sales:

| | |
|---|---|
| 20.6% | 21.7% |

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

**Registration fee for medical representatives**
The annual registration fee payable in respect of medical representatives in Hungary amounted to HUF 137m in the first quarter 2021. In accordance with the regulations tax payable in 2021 on this ground can be offset by 90% of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field. Given the high amounts directed to this activity Richter is practically exempted from the payment of this extraordinary tax from the second quarter of each year.

## 19) Administrative and general expenses

These expenses remained virtually flat during first quarter 2021 as higher employee costs were offset by certain short-term cost cutting measures implemented.

## 20) Research and development expenses

Proportion to sales:

| | |
|---|---|
| 11.0% | 10.7% |

These expenses did not change materially during the reported quarter. They include the ongoing clinical trials being carried out in co-operation with AbbVie / Allergan together with development programs executed in the field of biotechnology and women's healthcare. Higher R&D costs also resulted from certain CNS projects moving into clinical phase.

## 21) Other income and other expenses (net)

**Claw-back**
Other income and expenses include during the reported quarter liabilities amounting to HUF 1,390m in respect of the claw-back regimes. Such claw-backs increased primarily in Germany.

**One-off items**
There were no one-off items accounted for during the reported quarter while we reported HUF 500m, milestone income during the base period primarily linked to the licensing-out of cariprazine to South Korea.

**20% tax obligation payable**
In the first three months 2021 an expense of HUF 479m was accounted for in respect of the 20% tax obligation payable with regard to turnover related to reimbursed sales in Hungary. In accordance with the regulations tax payable on this ground can be offset by 90% of the tax liability depending on the level of R&D expenditures and wage related expenses of the staff employed in this field.

## 22) Profit from operations and operating margin and EBITDA

Profit from operations declined during the first three months 2021 when compared to the same period 2020.

**Operating margin**
17.3% 17.8%

**EBITDA**
HUF 34,318m HUF 34,161m

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

## 23) Consolidated net financial income

| | HUFm | | | EURm | | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **Change** | **2021** | **2020** | **Change** |
| | 3 months to March | | | 3 months to March | | |
| Unrealised financial items | 2,425 | 2,780 | -355 | 6.7 | 8.2 | -1.5 |
| Exchange gain on trade receivables and trade payables | 1,362 | 512 | 850 | 3.8 | 1.5 | 2.3 |
| Gain on foreign currency loans receivable | 124 | 1,126 | -1,002 | 0.3 | 3.3 | -3.0 |
| Foreign exchange and fair valuation difference of other financial assets and liabilities | 1,178 | 1,376 | -198 | 3.2 | 4.1 | -0.9 |
| Result of unrealised forward exchange contracts | (12) | - | -12 | (0.0) | - | 0.0 |
| Interest expenses related to IFRS 16 standard | (157) | (159) | 2 | (0.4) | (0.5) | 0.1 |
| Foreign exchange difference related to IFRS 16 standard | (70) | (75) | 5 | (0.2) | (0.2) | - |
| Realised financial items | (1,021) | 2,937 | -3,958 | (2.8) | 8.6 | -11.4 |
| Exchange gain realised on trade receivables and trade payables | 91 | 2,338 | -2,247 | 0.3 | 6.9 | -6.6 |
| Foreign exchange difference on conversion of cash | (1,440) | 597 | -2,037 | (4.0) | 1.8 | -5.8 |
| Dividend income | - | 1 | -1 | - | 0.0 | 0.0 |
| Interest income | 126 | 252 | -126 | 0.3 | 0.7 | -0.4 |
| Interest expense | (10) | (19) | 9 | (0.0) | (0.1) | 0.1 |
| Other financial items | 212 | (232) | 444 | 0.6 | (0.7) | 1.3 |
| Net financial income | 1,404 | 5,717 | -4,313 | 3.9 | 16.8 | -12.9 |

## 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% of royalties received. Other members of the Group are subject to customary tax regulations effective in their respective countries of incorporation.

In the first quarter 2021 the Group reported HUF 1,240m tax income, which resulted from a HUF 617m corporate tax expense, a HUF 1m extraordinary tax expense and a HUF 1,858m deferred tax income.

**25) Net income margin attributable to owners of the parent**

19.1% 20.5%

**26) and 27) Capital expenditure**

Capital expenditure for the Group including payments for intangible assets (HUF 81,446m) totalled HUF 85,975m in the first quarter 2021 when compared to HUF 19,084m reported for the same period 2020.

# Corporate matters

**Information regarding Richter's planned Annual General Meeting convoked for 15 April 2021**

Due to the situation caused by the coronavirus epidemic (COVID-19) and having regard to applicable laws (in particular Government Decree No. 502/2020. (XI.16.)) the Company has seen no possibility to hold its annual general meeting with personal presence in accordance with the regulations of the Company's Statutes as previously set to 15 April 2021.

The referred Government decree authorized the Board of Directors to act in competence of the general meeting and decide about any and all issues listed on the published agenda of the previously convoked AGM.

**Information regarding Richter's Boards**

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Mr Bálint Szécsényi and
Dr Anett Pandurics
being re-elected as members of the Board of Directors for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Nándor Pál Ács
being elected as the member of the Board of Directors for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors - with respect to the minority shareholder's motion submitted by MNV Zrt. (Hungarian National Asset Management Inc.) as representative of the Hungarian State - acting in competence of the general meeting approved

Dr László Szabó
being elected as member of the Board of Directors for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Attila Chikán and
Prof. Dr. Jonathán Róbert Bedros
being re-elected as members of the Supervisory Board for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Zoltán Matos and
Dr Lívia Pavlik
being elected as members of the Supervisory Board for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Krisztina Gál and
Mr Péter Müller
employee representatives being elected as members of the Supervisory Board for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Attila Chikán
Supervisory Board member being re-elected as member of the Audit Board for a three year period until the 2024 AGM.

On 15 April 2021 the Board of Directors acting in competence of the general meeting approved

Dr Zoltán Matos and
Dr Lívia Pavlik
Supervisory Board members being elected as members of the Audit Board for a three year period until the 2024 AGM.

**Dividends**

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

Payout procedures as decided by the Board of Directors shall be published in an official announcement by 14 May 2021. The starting date for distributing dividend payments is going to be 14 June 2021.

**Information regarding Richter shares**

The number of shares in issue at 31 March 2021 was unchanged compared to 31 December 2020, i.e. 186,374,860 shares.

The number of shares held by the Parent company in Treasury increased during the first quarter of 2021.

| | Ordinary shares | | | | |
|---|---|---|---|---|---|
| | 31 March 2021 | 31 December 2020 | 30 September 2020 | 30 June 2020 | 31 March 2020 |
| Number | 259,404 | 130,255 | 180,545 | 174,850 | 177,325 |
| Book value (HUF '000) | 2,254,114 | 950,619 | 1,082,945 | 1,044,855 | 1,053,654 |

In accordance with a repurchase obligation related to employee share bonuses, the Company repurchased 5,313 shares from employees who resigned from the Parent company during the first quarter 2021.

The Company purchased 101,235 treasury shares on the Budapest Stock Exchange during the first three months to March 2021.

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

On 31 March 2021 the Group's subsidiaries held a total of 5,500 ordinary Richter shares.

The total number of Company shares at Group level held in Treasury at 31 March 2021 was 264,904.

## Share ownership structure

The shareholder structure at 31 March 2021 is presented in detail in the following table:

| Ownership | Ordinary shares Number | Voting rights % | Share capital % |
|---|---|---|---|
| Domestic ownership | 61,062,910 | 32.89 | 32.76 |
| State ownership total | 9,777,784 | 5.27 | 5.24 |
| out of which MNV Zrt. | 9,777,658 | 5.27 | 5.24 |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 45,774,881 | 24.65 | 24.56 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.04 | 10.00 |
| out of which Tihanyi Foundation | 18,637,486 | 10.04 | 10.00 |
| Retail investors | 5,510,245 | 2.97 | 2.96 |
| International ownership | 124,563,684 | 67.10 | 66.83 |
| Institutional investors | 124,330,278 | 66.97 | 66.71 |
| out of which FMR LLC | 9,457,941 | 5.09 | 5.07 |
| Retail investors | 233,406 | 0.13 | 0.12 |
| Treasury shares* | 737,666 | 0.00 | 0.40 |
| Undisclosed ownership | 10,600 | 0.01 | 0.01 |
| Share capital | 186,374,860 | 100.00 | 100.00 |

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

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. Due to the confidential character of linked investor interests certain investment funds may keep a different record of their respective share capital and/or voting rights.

## Extraordinary announcements

- On 26 March 2021 Richter and Mithra announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has adopted a positive opinion for a novel combined oral contraceptive containing 15 mg estetrol (E4) and 3 mg drospirenone (DRSP). The product is going to be marketed in Europe by Richter under the brand name Drovelis®.

# Risk management

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

Most important risk factors for Richter Group are identified to be the following:

- Direct and indirect impacts of COVID-19 pandemic
- Outstanding contribution of cariprazine to the turnover and profits of the Company
- Higher risks associated with CNS research projects advancing into more advanced phases
- Development and licencing-in of WHC and biosimilar specialty products
- Maintaining the turnover arising from branded generic products and protection of sales levels of our traditional product portfolio
- Ensuring qualified workforce
- Health Authority Regulations
- Customers' high quality expectations
- Intellectual property, patents and litigation
- Contracts and liabilities
- Credit and collection
- Capital structure, cash management and financial investments
- Exchange rate volatility.



31

# Disclosures

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that the interim management report published today, which contains the Group’s 3 months to March 2021 results is prepared in accordance with the applicable accounting standards and according to the best of our knowledge. The report above provides a true and fair view of the financial position of Gedeon Richter Plc. and its subsidiaries included in the consolidation, it presents the major risks and factors of uncertainty and it also contains an explanation of material events and transactions that have taken place during the reported period and their impact on the financial position of Gedeon Richter Plc. and its subsidiaries included in the consolidation.

Budapest, 10 May 2021

Gábor Orbán
Chief Executive Officer

The financial statements in this report cover the activities of Gedeon Richter Group (‘The Group’ or ‘Richter Group’) and Gedeon Richter Plc. (‘The Company’ or ‘Richter’). These interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial reporting. EUR and USD amounts have been converted from HUF at average exchange rates for indicative purposes only. Financial statements for twelve months period ended 31 December 2020 are audited. Financial statements for the three months period ended 31 March 2020 and 31 March 2021 are unaudited.

# Appendix

### Changes in the Consolidated Balance Sheet

| | 31.12.2020 HUFm As previously presented Audited | Change 1. | Change 2. | 31.12.2020 HUFm Represented |
|---|---|---|---|---|
| **Non-current assets (effected lines only)** | | | | |
| Non-current financial assets at amortised cost (new line) | - | 1 171 | | 1 171 |
| Loans receivable (divided by category) | 2 237 | -1 171 | -1 066 | - |
| Long term receivables | 1 481 | | 1 066 | 2 547 |
| **Current assets (effected lines only)** | | | | |
| Other current assets | 27 533 | -371 | | 27 162 |
| Current financial assets at amortised cost (new line) | - | 371 | | 371 |

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 in the Balance sheet.

In the current period financial assets that are measured under the amortised cost model are presented separately both under non-current assets and current assets. This new line comprises securities and loans granted to related and third parties. Previously, loans granted to related and third parties among non-current assets were presented as 'Loans receivable'. In the current period they are reclassified to 'Non-current financial assets at amortised cost'. Comparatives are restated and HUF 1,171m was reclassified accordingly. Among current assets, these loans are reclassified from 'Other current assets' to 'Current financial assets at amortised cost' and comparatives are also restated in the amount of HUF 371m accordingly (Change 1).

Additionally, in the comparative period 'Loans receivables' included non-current portion of loans granted to employees that are accounted under IAS 19 'Employee Benefits'. In the current period, the Group decided to present these assets as 'Long term receivables'. Comparatives are restated and HUF 1,066m was reclassified accordingly from 'Loans receivables' to 'Long term receivables' (Change 2).

**Changes in the Consolidated Income Statement**

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

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

The new accounting policy is applied retrospectively and thus the comparative figures are restated. The Cost of sales increased by, HUF 1,460m and the Sales and marketing expenses decreased by the same amount. The change affects only the Income statement.