

Gedeon Richter

**Report to the Budapest Stock Exchange
3 months to March 2020**



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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.

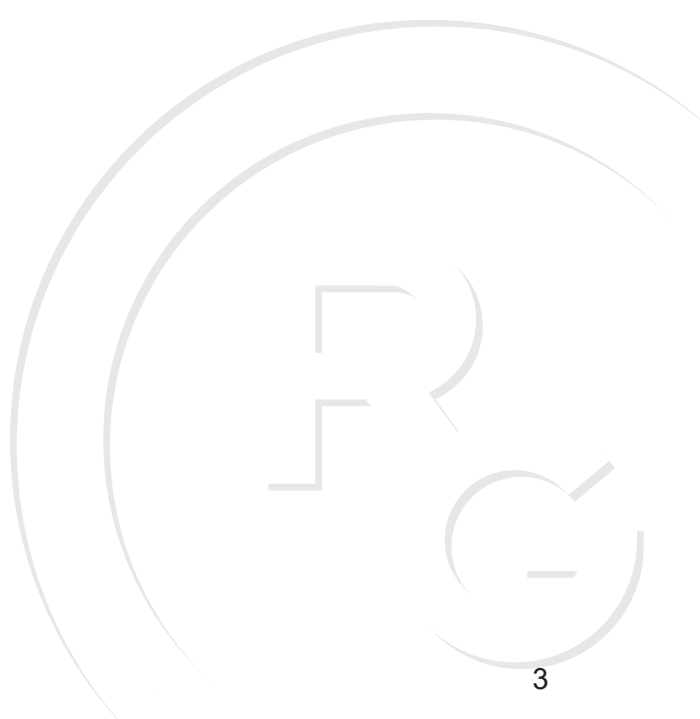
Detailed explanations to selected items presented in the tables are offered in the two ‘Notes’ sections as numbered in the respective tables.

„Although the pharmaceutical sector is commonly better shielded from crisis shockwaves, all economic sectors, including our own, were hit by the global COVID pandemic. I am extremely proud of the resilience of our business operations in the face of the disruption caused by the virus. We managed to stand our ground thanks to our organisational culture of trust and cooperation, our vertically integrated business model, our geographic and therapeutic diversification and a strong balance sheet – all of them core values that continue to define our approach to steering the ship of Richter.

Results achieved in this quarter were favourably impacted by royalty proceeds from Vraylar[®], which remains to date the fastest growing oral antipsychotic in the USA. Steady growth in royalty income offset the one-off sales milestone in the base period, so overall income from Vraylar[®] came in broadly flat. Revenues from the rest of the specialty business also grew above average. Sales growth was generally supported by manufacturing capacity upgrades in our sites and also by early signs of increased stockpiling toward the end of the reported period. At the same time currency movements also had an overall positive contribution to our topline and margins. These benign forces more than offset the substantial drag from the carryover effects of unfavourable market developments in China and Russia in the second half of 2019.

I am also pleased to report that meaningful additions have been made so far this year to our specialty portfolio and pipeline by concluding in-licensing and asset purchase contracts in women’s health and rheumatology. These are key steps in driving our specialty transformation forward in the coming years.”

Gábor Orbán



Executive Summary

Consolidated sales	HUFm				EURm	
	2020	2019	Change		2020	2019
	3 months to March				3 months to March	
				%		
Total	141,426	121,612	19,814	16.3	415.8	383.0

Pharma sales	HUFm				Notes	EURm	
	2020	2019	Change			2020	2019
	3 months to March					3 months to March	
				%			
Hungary	10,781	10,680	101	0.9	6)	31.7	33.6
EU*	39,426	29,990	9,436	31.5	7)	115.9	94.4
EU 12	21,059	15,434	5,625	36.4		61.9	48.6
Poland	9,038	6,672	2,366	35.5		26.5	21.0
Romania	3,973	2,568	1,405	54.7		11.7	8.1
EU 15**	18,367	14,556	3,811	26.2		54.0	45.8
CIS	34,394	28,919	5,475	18.9	8)	101.1	91.0
Russia	22,157	20,646	1,511	7.3		65.1	65.0
Ukraine	4,109	2,451	1,658	67.6		12.1	7.7
Other CIS	8,128	5,822	2,306	39.6		23.9	18.3
USA	19,349	18,276	1,073	5.9	9)	56.9	57.6
China	3,212	3,414	-202	-5.9	10)	9.4	10.8
Latin America	2,275	1,770	505	28.5	11)	6.7	5.6
RoW	7,132	4,507	2,625	58.2	12)	21.0	14.2
Total	116,569	97,556	19,013	19.5		342.7	307.2

* excluding Hungary

** including UK

Specialty sales	HUFm				Notes	EURm	
	2020	2019	Change			2020	2019
	3 months to March					3 months to March	
				%			
cariprazine	15,687	15,383	304	2.0	1)	46.1	48.4
Vraylar royalty	14,911	7,626	7,285	95.5		43.8	24.0
Vraylar milestone	-	7,154	-7,154	-100.0		-	22.5
Reagila	776	603	173	28.7		2.3	1.9
WHC	41,517	34,654	6,863	19.8	2)	122.1	109.1
Bemfola	4,758	4,127	631	15.3	3)	14.0	13.0
OCs	28,613	24,142	4,471	18.5		84.1	76.0
teriparatide	1,839	319	1,520	476.9	5)	5.4	1.0
Total	59,043	50,356	8,687	17.3		173.6	158.5
Proportion to Pharma sales (%)	50.7	51.6					

Wholesale and retail sales	HUFm				Notes	EURm	
	2020	2019	Change			2020	2019
	3 months to March					3 months to March	
				%			
Total	28,970	26,107	2,863	11.0		85.2	82.2

Exchange rate gain at consolidated sales level:

HUF 8,214m

Selected exchange rates – quarterly averages

	2020 Q1	2019 Q1
EURHUF	340.15	317.55
USDHUF	308.41	279.85
RUBHUF	4.57	4.26
CNYHUF	44.16	41.60

Selected consolidated business metrics

	HUFm	
	2020	2019
	3 months to March	
Gross margin %	57.8	57.5
Operating margin %	17.8	14.1
Profit margin attributable to owners of the parent %	20.5	18.1

COVID 19 pandemic – crisis management

In continuation of its established track record of transparent operations and proactive communication we add an extra section in order to update shareholders and the public on how Richter is coping with the pandemic. The information presented below is in line with Management's latest information available at the time of publication.

Our team

Our dual objective since the eruption of the crisis has been to protect the health and wellbeing of our employee's while preventing any disruption to operations. Although the tightness in the labour market might have eased due to the pandemic, attendance rates also worsened somewhat, and therefore securing the necessary headcount remains challenging. Thanks to the dedication and commitment of our colleagues, we have so far been able to sustain operations and preserve the value creation capability of the Company.

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

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

Challenges in manufacturing and logistics

The lockdown has clearly had a negative impact on supply chains and logistical routes globally. Richter's vertically integrated operating model is adding significantly to our resilience, yet we are also faced with longer lead times and increased risks when it comes to ensuring the continuous availability of starting materials, protective gear and other supplies. Measures aimed at ensuring social distancing have temporarily contributed to lower productivity at our manufacturing sites. The management team is redoubling efforts to ensure the efficient and continuous manufacturing activity of the Company.

Serving our patients and doctors

Keeping our team healthy and managing the logistical difficulties has enabled us to fulfil our core mission, which is to ensure a sustainable supply of high quality, reliable, affordable and effective medication for patients globally.

In many of our traditional markets we experienced in March a higher demand for generic therapies addressing chronic conditions (cardiovascular, central nervous system, etc.) as people were preparing for the imminent introduction of quarantine measures. Our antiviral product, [Groprinosin](#) saw outstanding demand during the first quarter 2020 in Poland, Ukraine, Other CIS and Russia. In addition, [oral contraceptives](#) recorded higher turnover in most of the key EU15 countries.

While in person promotional activities have had to be discontinued in practically all of our markets in an effort to reduce physical contact, we have successfully redirected these activities to online channels.

Our financial situation

A strong balance sheet without any debt to date together with a sustained positive cashflow ensures that Richter is in a good financial position during the crisis and also expects to continue to be in the aftermath when the anticipated economic slowdown occurs.

Our cautious approach to receivables management is adding to our resilience during the present turbulence.

Amidst the current volatile economic environment, we maintain our tight credit policy with the financial management of the Group performing close customer credit monitoring. No disruption to the usual payment procedures has occurred neither in the reported period nor in the period following the end of the quarter and the publication of the quarterly report.

Notes to Specialty Sales

1) Cariprazine – Central Nervous System

Vraylar® royalty income due to Richter in the first quarter 2020 amounted to HUF 14,911m (USD 48.3m). This amount contributed materially to the sales levels achieved during the reported period.

No sales related **milestones** impacted the reported period as opposed to the first quarter 2019 when HUF 7,154m (USD 25.6m) milestone income was reported in respect of **Vraylar®** sales recorded in the USA by our partner, Allergan.

Proceeds from Reagila® amounted to HUF 776m (EUR 2.3m) during the reported quarter.

Figures shown in the following table are actual figures except for royalty incomes recorded in the first quarter 2020.

	Turnover (Royalties included)				
	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
USDm / Vraylar® (royalty+API)	48.4	57.4	44.3	35.5	27.6
EURm / Reagila® (royalty+product sales)	2.3	2.8	2.3	1.8	1.5

Recent developments

USA

After the launch of **Vraylar®** in bipolar depression indication in adults in Q2 2019 the product has achieved significant further sales increase.

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

Europe – EU

Reagila® has already been launched by Recordati with reimbursement in 10 Western European countries (including the UK). In addition it has become available without reimbursement in the first quarter 2020 in Belgium.

Richter has earlier launched **Reagila®** with reimbursement in the following countries of the EU12 region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia.

The product has been already on the market in Romania and in Poland without reimbursement and it was further launched without reimbursement in Lithuania during the first quarter 2020.

Europe – Non EU

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

The product was launched by Richter with reimbursement in Montenegro during the first quarter 2020.

Reagila® was further launched by Richter without reimbursement in Serbia in the first quarter 2020.

CIS

In the CIS region the product was launched in 2019 in Moldavia and in Russia. In the latter country Reagila® can be prescribed with reimbursement to certain patients with effect from 1 January 2020 as it achieved Essential Drug List (EDL) status.

In addition the product became available for patients during first quarter 2020 in Ukraine, Belarus, Georgia, Kazakhstan and Uzbekistan.

Other markets

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

Further to several existing license arrangements WhanIn, a reputed local partner, was secured in March 2020 for the South-Korean market. A further local clinical study still has to be carried out by the partner prior to initiating registration and the subsequent launch of the product on this market.

In January 2020 Reagila® was approved by the Israeli authority. The registration process and the future commercialization was and will be respectively carried out by Dexcel, Richter's partner for cariprazine in Israel.

2) Women's Healthcare – Core Business

WHC sales by region

	HUFm				EURm	
	2020	2019	Change	%	2020	2019
	3 months to March				3 months to March	
Hungary	1,156	1,278	-122	-9.5	3.4	4.0
EU*	19,847	15,442	4,405	28.5	58.4	48.6
EU 12	4,272	3,836	436	11.4	12.6	12.1
Poland	1,426	1,439	-13	-0.9	4.2	4.5
Romania	611	501	110	22.0	1.8	1.6
EU 15**	15,575	11,606	3,969	34.2	45.8	36.5
CIS	9,996	8,836	1,160	13.1	29.4	27.8
Russia	7,927	7,361	566	7.7	23.3	23.2
Ukraine	645	558	87	15.6	1.9	1.7
Other CIS	1,424	917	507	55.3	4.2	2.9
USA	3,167	2,830	337	11.9	9.3	8.9
China	2,542	2,355	187	7.9	7.5	7.4
Latin America	1,508	1,347	161	12.0	4.4	4.3
RoW	3,301	2,566	735	28.6	9.7	8.1
Total	41,517	34,654	6,863	19.8	122.1	109.1

* excluding Hungary

** including UK

Sales in WHC were higher in the first quarter 2020 across most of the relevant markets with the exception of Hungary and Poland. Turnover of WHC products increased primarily in the EU15 region as a result of higher sales levels recorded by our [oral contraceptives](#). In addition notable growth in the sales of [oral contraceptives](#) was reported in the USA and increasing proceeds of the same product range were achieved in CIS.

Proportion of WHC sales to total pharmaceutical turnover – by region

	%	
	2020	2019
	3 months to March	
Hungary	10.7	11.9
EU*	50.4	51.5
EU 12	20.4	24.9
EU 15**	84.8	79.7
CIS	29.1	30.5
USA	16.3	15.5
China	79.8	68.5
Latin America	65.7	76.8
RoW	46.2	57.0
Total	35.6	35.5

* excluding Hungary

** including UK

EU15 Top 5 markets

	EURm	
	2020	2019
	3 months to March	
Germany	11.3	8.5
Spain	7.7	6.2
Italy	7.0	5.0
France	6.5	5.5
UK	4.1	4.4
Total Top 5 Sales	36.6	29.6
Total EU15 Sales	45.8	36.5
Total Top 5 / Total EU15 Sales %	79.9	81.1

3) Bemfola® – Women’s Healthcare

	HUFm				EURm	
	2020	2019	Change		2020	2019
	3 months to March				3 months to March	
				%		
Hungary	136	267	-131	-49.1	0.4	0.8
EU*	3,863	3,189	674	21.1	11.4	10.1
EU 12	460	313	147	47.0	1.4	1.0
EU 15**	3,403	2,876	527	18.3	10.0	9.1
RoW	759	671	88	13.1	2.2	2.1
Total	4,758	4,127	631	15.3	14.0	13.0

* excluding Hungary

** including UK

Higher turnover of Bemfola® resulted primarily from increased sales levels recorded in France, Spain and Australia.

4) Esmya® – Women’s Healthcare

A new PRAC review procedure was initiated in March 2020 in respect of Esmya®, which resulted in a suspension of sales of the product. We cannot exclude the possibility that no further sales will be recorded during the remainder of 2020.

5) Teriparatide – biosimilar portfolio

Total sales proceeds from teriparatide amounted to HUF 1,839m (EUR 5.4m) in the first quarter 2020. Following the patent expiry of the original product, Richter launched its biosimilar, Terrosa® in the EU in August 2019. Furthermore, in co-operation with Mochida Pharmaceuticals the product was licensed out for commercialisation in Japan where it was launched in late November 2019.

Notes to Pharmaceutical Sales

6) Hungary

The underlying market experienced a high growth rate of 20.1% primarily as a consequence of excess purchase of certain OTC products in preparation for the commercial lockdown. Retail sales of Richter products achieved a significant increase of 15.3% according to the latest available IQVIA (successor of IMS) data. The Company is now ranked No. 4 amongst players in the Hungarian pharmaceutical market with a market share of 5.0%. Taking into account the prescription drugs retail market alone, Richter qualifies for second place with a market share of 7.6%.

7) European Union

The **EU12** region sales represented 53% of total EU sales of the Group's pharmaceutical segment.

The substantial increase recorded in **Poland** was primarily due to higher sales of our antiviral product, [Groprinosin](#).

In **Romania** sales of [Cavinton](#) és [Mydocalm](#) materially increased during the reported period.

Turnover in the **EU15** region increased by 26.2%. Growth recorded in Spain, Italy and Germany contributed the most to the sales level achieved during the reported period. As far as the product portfolio is concerned the increase was primarily due to higher turnover of the [range of oral contraceptives](#), [Terrosa](#)® and [Bemfola](#)®. This region contributed 47%, to total EU pharmaceutical sales.

8) CIS

Currency exchange rate fluctuations, primarily the appreciation of USD and the depreciation of the HUF impacted positively the turnover in this region.

Sales to **Russia** at HUF 22,157m (RUB 4,848.3m) grew by 7.3% mostly due to exchange rate movements. A volatile market environment and an exceptionally low base period turnover combined with deteriorating purchasing power experienced in the reported period resulted in flat performance in RUB terms. Prices of drugs included in the Essential Drug List will be reviewed by the Authority and they are expected to come into effect no later than 1 January 2021. A slight price adjustment of approximately 1% on average impacted positively our overall portfolio during the first quarter 2020.

Sales levels during the reported period at EUR 65.1m remained virtually flat when compared with the turnover reported in the same period 2019.

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.

Turnover in **Ukraine** at USD 13.3m increased primarily due to a more than threefold increase in sales levels of antiviral **Groprinosin** together with an overall low base figure reported for the base period. Sales to **Other CIS** markets also reported growth partly due a good performance of the **oral contraceptives** and as a result of higher **Groprinosin** sales levels. Worsening exchange rates experienced in certain countries of this group were broadly offset by limited price increases applied across the region.

9) USA

A significant year-on-year growth recorded primarily due to accelerating royalty income earned in the current period based on turnover achieved by our partner, Allergan was almost entirely offset by a lack of sales related milestones in the reported period. In contrast, first quarter 2019 included a milestone amounting to HUF 7,154m.

Higher API sales also contributed to the sales growth achieved during the reported period.

10) China

Delisting of **Cavinton** injectable announced in the second half of 2019 by Chinese authorities came into effect from 1 January 2020 and resulted in a significant loss of sales of this product.

11) Latin America

Increasing sales of the **oral contraceptives** when reported in HUF terms contributed to higher turnover achieved in the reported period.

12) Rest of the World

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

Background Information on Pharmaceutical Sales

by region in currencies of invoicing

	Currency (million)	2020 3 months to March	2019	Change %
Hungary	HUF	10,781	10,680	0.9
EU*	EUR	115.9	94.4	22.8
EU 12	EUR	61.9	48.6	27.4
Poland	PLN	115.3	90.3	27.7
Romania	RON	56.3	38.1	47.8
EU 15**	EUR	54.0	45.8	17.9
CIS	EUR	101.1	91.0	11.1
	USD	111.5	103.3	7.9
Russia	RUB	4,848.3	4,846.6	0.0
Ukraine	USD	13.3	8.7	52.9
Other CIS	EUR	23.9	18.3	30.6
	USD	26.4	20.8	26.9
USA	USD	62.7	65.3	-4.0
China	CNY	72.7	82.1	-11.4
Latin America	USD	7.4	6.3	17.5
RoW	EUR	21.0	14.2	47.9
	USD	23.2	16.1	44.1

* excluding Hungary

** including UK

to Top 10 markets

	HUFm				EURm	
	2020 3 months to March	2019	Change	%	2020 3 months to March	2019
Russia	22,157	20,646	1,511	7.3	65.1	65.0
USA	19,349	18,276	1,073	5.9	56.9	57.6
Hungary	10,781	10,680	101	0.9	31.7	33.6
Poland	9,038	6,672	2,366	35.5	26.5	21.0
Germany	4,422	3,845	577	15.0	13.0	12.1
Ukraine	4,109	2,451	1,658	67.6	12.1	7.7
Romania	3,973	2,568	1,405	54.7	11.7	8.1
Spain	3,390	2,104	1,286	61.1	10.0	6.6
China	3,212	3,414	-202	-5.9	9.4	10.8
Italy	2,628	1,775	853	48.1	7.7	5.6
Total Top 10	83,059	72,431	10,628	14.7	244.1	228.1
Total Sales	116,569	97,556	19,013	19.5	342.7	307.2
Total Top 10 / Total Sales %					71.2	74.3

of Top 10 products

	HUFm				EURm	
	2020	2019	Change		2020	2019
	3 months to March				3 months to March	
				%		
Oral contraceptives	28,613	24,142	4,471	18.5	84.1	76.0
Vraylar® / Reagila® / cariprazine	15,725	15,432	293	1.9	46.2	48.6
Goprinosin	5,621	2,573	3,048	118.5	16.5	8.1
Cavinton	5,207	4,733	474	10.0	15.3	14.9
Bemfola®	4,758	4,127	631	15.3	14.0	13.0
Mydeton	4,153	4,337	-184	-4.2	12.2	13.7
Verospiron	4,116	2,783	1,333	47.9	12.1	8.8
Panangin	3,937	2,753	1,184	43.0	11.6	8.7
Lisonorm	2,915	1,818	1,097	60.3	8.6	5.7
Aflamin	2,728	2,389	339	14.2	8.0	7.5
Total Top 10	77,773	65,087	12,686	19.5	228.6	205.0
Total Sales	116,569	97,556	19,013	19.5	342.7	307.2
Total Top 10 / Total Sales %					66.7	66.7

Background Information on Wholesale and Retail Sales

	HUFm				EURm	
	2020	2019	Change		2020	2019
	3 months to March				3 months to March	
				%		
EU*	22,558	21,036	1,522	7.2	66.3	66.3
EU 12	22,558	21,036	1,522	7.2	66.3	66.3
Romania	22,558	21,036	1,522	7.2	66.3	66.3
CIS	5,075	3,950	1,125	28.5	14.9	12.4
Other CIS	5,075	3,950	1,125	28.5	14.9	12.4
Latin America	1,337	1,121	216	19.3	4.0	3.5
Total	28,970	26,107	2,863	11.0	85.2	82.2

* 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
P&L items HUFm										
Revenues	116,569	97,556	28,970	26,107	1,613	1,486	(3,537)	(5,726)	141,426	121,612
Cost of sales	(37,423)	(30,558)	(25,691)	(23,432)	(1,324)	(1,286)	3,611	4,713	(59,725)	(51,665)
Gross profit	79,146	66,998	3,279	2,675	289	200	74	(1,013)	81,701	69,947
Profit from operations	25,632	17,028	412	31	131	61	78	(976)	25,199	17,198
Net financial income	6,488	5,356	(734)	(115)	5	-	(42)	-	5,717	5,241
Miscellaneous items										
Capital expenditure HUFm	18,863	5,621	177	77	44	36	-	-	19,084	5,734
Number of employees at the end of the period	11,147	10,870	1,492	1,518	413	432	-	-	13,052	12,820
Business metrics %										
Gross margin	67.9	68.7	11.3	10.2	17.9	13.5	-	-	57.8	57.5
Operating margin	22.0	17.5	1.4	0.1	8.1	4.1	-	-	17.8	14.1

Consolidated Financial Statements

Company name: Gedeon Richter Plc.
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 Reporting period: January-March 2020

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Consolidated Balance Sheet

	31 March 2020 Unaudited HUFm	Notes	31 December 2019 Audited HUFm	Change %
ASSETS	882,991		858,651	2.8
Non-current assets	448,278	13)	449,071	-0.2
Property, plant and equipment	242,247		244,754	-1.0
Investment property	120		111	8.1
Goodwill	31,669		29,503	7.3
Other intangible assets	140,418		127,635	10.0
Investments in associates and joint ventures	16,960		16,192	4.7
Other financial assets	5,548		19,030	-70.8
Deferred tax assets	6,440		6,988	-7.8
Loans receivable	2,342		2,021	15.9
Long term receivables	2,534		2,837	-10.7
Current assets	434,713	14)	409,580	6.1
Inventories	105,548		98,995	6.6
Contract assets	2,215		3,466	-36.1
Trade receivables	147,775		154,426	-4.3
Other current assets	28,363		21,376	32.7
Investments in securities	1,719		1,545	11.3
Current tax asset	1,728		1,199	44.1
Cash and cash equivalents	147,365		128,573	14.6
EQUITY AND LIABILITIES	882,991		858,651	2.8
Capital and reserves	755,030	15)	724,873	4.2
Share capital	18,638		18,638	0.0
Treasury shares	(3,894)		(3,870)	0.6
Share premium	15,214		15,214	0.0
Capital reserves	3,475		3,475	0.0
Foreign currency translation reserves	23,023		22,213	3.6
Revaluation reserves for securities at FVOCI	593		8,620	-93.1
Retained earnings	690,373		653,691	5.6
Non-controlling interest	7,608		6,892	10.4
Non-current liabilities	23,951		24,216	-1.1
Deferred tax liability	1,212		1,925	-37.0
Other non-current liabilities and accruals	18,419		18,004	2.3
Provisions	4,320		4,287	0.8
Current liabilities	104,010	16)	109,562	-5.1
Trade payables	55,610		61,770	-10.0
Contract liabilities	-		745	-100.0
Current tax liabilities	544		382	42.4
Other current liabilities and accruals	44,282		42,721	3.7
Provisions	3,574		3,944	-9.4

Prepared in accordance with IAS 34 Interim Financial Reporting

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 Investor relations manager: Katalin Ördög

Consolidated Statement of Changes in Equity

HUFm	Share capital	Share premium	Capital reserve	Treasury shares	Foreign currency translation reserve	Retained earnings	Revaluation reserves for securities at FVOCI	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 1 January 2019	18,638	15,214	3,475	(2,186)	14,182	626,052	4,810	680,185	5,560	685,745
Profit for the period	-	-	-	-	-	22,013	-	22,013	(381)	21,632
Exchange differences arising on translation of foreign operations	-	-	-	-	3,887	-	-	3,887	83	3,970
Exchange differences arising on translation of associates and joint ventures	-	-	-	-	19	-	-	19	-	19
Changes in the fair value of equity investments measured at FVOCI	-	-	-	-	-	-	1,659	1,659	-	1,659
Comprehensive income at 31 March 2019	-	-	-	-	3,906	22,013	1,659	27,578	(298)	27,280
Purchase of treasury shares	-	-	-	(23)	-	-	-	(23)	-	(23)
Recognition of share-based payments	-	-	-	-	-	450	-	450	-	450
Balance at 31 March 2019	18,638	15,214	3,475	(2,209)	18,088	648,515	6,469	708,190	5,262	713,452

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HUFm	Share capital	Share premium	Capital reserve	Treasury shares	Foreign currency translation reserve	Retained earnings	Revaluation reserves for securities at FVOCI	Attributable to owners of the parent	Non-controlling interest	Total
Balance at 31 December 2019	18,638	15,214	3,475	(3,870)	22,213	653,691	8,620	717,981	6,892	724,873
Profit for the period	-	-	-	-	-	29,001	-	29,001	109	29,110
Exchange differences arising on translation of foreign operations	-	-	-	-	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 equity investments measured at FVOCI	-	-	-	-	-	7,254	(8,027)	(773)	-	(773)
Comprehensive income at 31 March 2020	-	-	-	-	810	36,255	(8,027)	29,038	716	29,754
Transfer of treasury shares	-	-	-	(24)	-	24	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	403	-	403	-	403
Balance at 31 March 2020	18,638	15,214	3,475	(3,894)	23,023	690,373	593	747,422	7,608	755,030

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Consolidated Income Statement – HUF

For the year ended 31 December 2019 Audited HUFm		For the period ended 31 March			
		2020 Unaudited HUFm	Notes	2019 Unaudited HUFm	Change %
507,794	Revenues	141,426		121,612	16.3
(224,500)	Cost of sales	(59,725)		(51,665)	15.6
283,294	Gross profit	81,701	17)	69,947	16.8
(121,819)	Sales and marketing expenses	(32,196)	18)	(31,722)	1.5
(28,977)	Administration and general expenses	(6,992)	19)	(6,421)	8.9
(48,860)	Research and development expenses	(15,114)	20)	(11,701)	29.2
(44,793)	Other income and other expenses (net)	(2,302)	21)	(2,937)	-21.6
1,051	Net impairment losses on financial and contract assets	102		32	218.8
39,896	Profit from operations	25,199	22)	17,198	46.5
20,500	Finance income	14,866		7,546	97.0
(10,206)	Finance costs	(9,149)		(2,305)	296.9
10,294	Net financial income	5,717	23)	5,241	9.1
658	Share of profit of associates and joint ventures	984		325	202.8
50,848	Profit before income tax	31,900		22,764	40.1
2,275	Income and deferred tax	(1,601)	24)	(110)	n.a.
(4,693)	Local business tax and innovation contribution	(1,189)		(1,022)	16.3
48,430	Profit for the period	29,110		21,632	34.6
	Profit attributable to:				
47,135	Owners of the parent	29,001	25)	22,013	31.7
1,295	Non-controlling interest	109		(381)	n.a.
	Statement of comprehensive income				
48,430	Profit for the period	29,110		21,632	34.6
(640)	Actuarial loss on retirement defined benefit plans	-		-	n.a.
3,810	Changes in the fair value of equity investments measured at FVOCI	(773)		1,659	n.a.
3,170	Items that will not be reclassified to profit or loss (net of tax)	(773)		1,659	n.a.
8,460	Exchange differences arising on translation of foreign operations	1,656		3,970	-58.3
(179)	Exchange differences arising on translation of associates and joint ventures	(239)		19	n.a.
8,281	Items that may be subsequently reclassified to profit or loss (net of tax)	1,417		3,989	-64.5
11,451	Other comprehensive income for the period	644		5,648	-88.6
59,881	Total comprehensive income for the period	29,754		27,280	9.1
	Attributable to:				
58,336	Owners of the parent	29,038		27,578	5.3
1,545	Non-controlling interest	716		(298)	n.a.
	HUF Earnings per share (EPS)	HUF		HUF	%
253	Basic	156		118	32.2
253	Diluted	156		118	32.2

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Consolidated Income Statement – EUR

For the year ended 31 December 2019 Audited EURm		For the period ended 31 March			
		2020 Unaudited EURm	Notes	2019 Unaudited EURm	Change %
1,560.7	Revenues	415.8		383.0	8.6
(690.0)	Cost of sales	(175.6)		(162.7)	7.9
870.7	Gross profit	240.2		220.3	9.0
(374.4)	Sales and marketing expenses	(94.6)		(99.9)	-5.3
(89.1)	Administration and general expenses	(20.6)		(20.2)	2.0
(150.2)	Research and development expenses	(44.4)		(36.9)	20.3
(137.6)	Other income and other expenses (net)	(6.8)		(9.2)	-26.1
3.2	Net impairment losses on financial and contract assets	0.3		0.1	200.0
122.6	Profit from operations	74.1		54.2	36.7
63.0	Finance income	43.7		23.8	83.6
(31.3)	Finance costs	(26.9)		(7.3)	268.5
31.7	Net financial income	16.8		16.5	1.8
2.0	Share of profit of associates and joint ventures	2.9		1.0	190.0
156.3	Profit before income tax	93.8		71.7	30.8
7.0	Income and deferred tax	(4.7)		(0.3)	n.a.
(14.4)	Local business tax and innovation contribution	(3.5)		(3.2)	9.4
148.9	Profit for the period	85.6		68.2	25.5
144.9	Profit attributable to:				
	Owners of the parent	85.3		69.3	23.1
4.0	Non-controlling interest	0.3		(1.2)	n.a.
325.36	Average exchange rate (EURHUF)	340.15		317.55	7.1
Statement of comprehensive income					
148.9	Profit for the period	85.6		68.2	25.5
(2.0)	Actuarial loss on retirement defined benefit plans	-		-	n.a.
11.7	Changes in the fair value of equity investments measured at FVOCI	(2.3)		5.2	n.a.
9.7	Items that will not be reclassified to profit or loss (net of tax)	(2.3)		5.2	n.a.
26.0	Exchange differences arising on translation of foreign operations	4.9		12.5	-60.8
(0.5)	Exchange differences arising on translation of associates and joint ventures	(0.7)		0.1	n.a.
25.5	Items that may be subsequently reclassified to profit or loss (net of tax)	4.2		12.6	-66.7
35.2	Other comprehensive income for the period	1.9		17.8	-89.3
184.1	Total comprehensive income for the period	87.5		86.0	1.7
179.4	Attributable to:				
	Owners of the parent	85.4		86.8	-1.6
4.7	Non-controlling interest	2.1		(0.9)	n.a.
EUR	Earnings per share (EPS)	EUR		EUR	%
0.78	Basic	0.46		0.37	24.3
0.78	Diluted	0.46		0.37	24.3

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Consolidated Cash flow Statement

For the year ended 31 December 2019 Audited HUFm		For the period ended 31 March		
		2020 Unaudited HUFm	Notes	2019 Unaudited HUFm
Operating activities				
50,848	Profit before income tax	31,900		22,764
39,320	Depreciation and amortisation	9,969		8,832
	Non cash items accounted through Consolidated Income Statement	(1,278)		(404)
(503)		(75)		(242)
(320)	Net interest and dividend income	(15)		(18)
733	Changes in provision for defined benefit plans			
1,725	Reclass of results on changes of property, plant and equipment and intangible assets	(342)		2,586
38,055	Impairment recognised on intangible assets and goodwill	-		-
1,636	Expense recognised in respect of equity-settled share-based payments	403		450
<i>Movements in working capital</i>				
(33,063)	Decrease/ (increase) in trade and other receivables	14,438		(5,222)
(6,308)	Increase in inventories	(6,553)		(6,799)
13,452	(Decrease)/increase in payables and other liabilities	(6,267)		409
(1)	Interest paid	(19)		-
(7,360)	Income tax paid	(2,459)		(2,381)
98,214	Net cash flow from operating activities	39,702		19,975
Cash flow from investing activities				
(39,507)	Payments for property, plant and equipment	(3,897)	26)	(4,087)
(18,578)	Payments for intangible assets	(15,187)	27)	(1,647)
1,449	Proceeds from disposal of property, plant and equipment	348		32
2,428	Government grant received related to investments	-		-
(11,633)	Payments to acquire financial assets	1,071		11
4,731	Proceeds on sale or redemption on maturity of financial assets	-		3,323
492	Disbursement of loans net	(65)		147
914	Interest received	252		242
1	Dividend receives	1		-
(59,703)	Net cash flow to investing activities	(17,477)		(1,979)
Cash flow from financing activities				
(3,539)	Purchase of treasury shares	-		(23)
(18,850)	Dividend paid	-		-
(3,791)	Principal elements of lease payments	(625)		-
(2)	Repayment of borrowings	-		-
-	Proceeds from borrowings	-		14
(26,182)	Net cash flow to financing activities	(625)		(9)
12,329	Net increase in cash and cash equivalents	21,600		17,987
113,021	Cash and cash equivalents at beginning of year	128,573		113,021
3,223	Effect of foreign exchange rate changes on the balances held in foreign currencies	(2,808)		(2,145)
128,573	Cash and cash equivalents at end of period	147,365		128,863

Prepared in accordance with IAS 34 Interim Financial Reporting.

Notes to Consolidated Financial Statements

Please note that changes for all balance sheet items (Notes 13 to 16) are reported in comparison to 31 December 2019 audited figures.

13) Non-current assets

Levels of Property, plant and equipment remained virtually unchanged.

Goodwill increased primarily as a result of impact of revaluation carried out in respect of earlier acquisitions made in China.

The level of Other intangible assets increased primarily as a result of the recent acquisition of marketing rights associated with Relugolix amounting to HUF 16,442m.

The amount of Other financial assets declined as a result of the derecognition of Richter's investment in the Russian wholesaler and retail Group, Protek.

14) Current assets

Higher liquidity at pharmacy level connected to higher sales resulting from a forestalling linked to COVID-19 was most likely felt through the entire value chain, which in turn has led to lower levels of Trade receivables.

The amount of Other current assets increased since the settlement of the purchase offer of Protek stakeholding has not realized until 31 March 2020.

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

15) Capital and reserves

Retained earnings increased by HUF 36,682m and amounted to HUF 690,373m. Revaluation reserves for securities at FVOCI declined in respect of Protek fair value, while crediting Retained earnings with the same amount.

16) Current liabilities

Current liabilities were impacted primarily by a decline in the amount of Trade payables.

17) Gross profit and margin

Gross profit was positively impacted by

- a higher demand linked to our branded generic portfolio, such as cardiovascular products and antiviral [Groprinosin](#), partly due to pandemic related forestalling was successfully addressed by reinforced manufacturing and packaging capacities,
- an overall favourable FX environment with a strengthening USD and RUB together with a weakening HUF and other currencies of the CEE region where we own manufacturing capacities which impacted on gross profit by increasing HUF denominated turnover,

23) Consolidated net financial income

	HUFm			EURm		
	2020 3 months to March	2019	Change	2020 3 months to March	2019	Change
Unrealised financial items	2,780	4,199	-1,419	8.2	13.2	-5.0
Exchange gain on trade receivables and trade payables	512	3,286	-2,774	1.5	10.3	-8.8
Gain on foreign currency loans receivable	1,126	377	749	3.3	1.2	2.1
Foreign exchange and fair valuation difference of other financial assets and liabilities	1,376	536	840	4.1	1.7	2.4
Interest expenses related to IFRS 16 standard	(159)	-	-159	(0.5)	-	-0.5
Foreign exchange difference related to IFRS 16 standard	(75)	-	-75	(0.2)	-	-0.2
Realised financial items	2,937	1,042	1,895	8.6	3.3	5.3
Exchange gain realised on trade receivables and trade payables	2,338	803	1,535	6.9	2.5	4.4
Foreign exchange difference on conversion of cash	597	(8)	605	1.8	-0.0	1.8
Dividend income	1	-	1	0.0	-	-
Interest income	252	242	10	0.7	0.8	-0.1
Interest expense	(19)	-	-19	(0.1)	-	-0.1
Other financial items	(232)	5	-237	(0.7)	0.0	-0.7
Net financial income	5,717	5,241	476	16.8	16.5	0.3

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 2020 the Group reported HUF 1,601m tax expense which resulted from a HUF 882m corporate tax expense, a HUF 1m extraordinary tax expense and a HUF 718m deferred tax expense.

25) Net income margin attributable to owners of the parent

20.5%

18.1%

26) and 27) Capital expenditure

Capital expenditure for the Group including payments for intangible assets (HUF 15,187m) totalled HUF 19,084m in the first quarter 2020 when compared to HUF 5,734m reported for the same period in 2019.

Corporate matters

Information regarding Richter's planned AGM convoked for 28 April 2020

On 14 April 2020 Richter informed its shareholders that, according to the rules of decree no. 102/2020. (IV.10.) of the Government of Hungary, no general meetings can be held in a way which would require the physical presence of the shareholders during the state of emergency related to the coronavirus pandemic. Thus, the Company did not hold its Annual General Meeting convoked for 28 April 2020.

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

Information regarding Richter's Boards

On 28 April 2020 the Board of Directors approved
Dr Péter Cserhádi
being elected as the member of the Board of Directors for a three year period until the 2023 AGM.

On 28 April 2020 the Board of Directors approved
Mr Erik Bogsch,
Mr Gábor Orbán,
Dr Ilona Hardy dr Pintérné and
Prof. Dr. E. Szilveszter Vizi
being re-elected as members of the Board of Directors for a three year period until the 2023 AGM.

Dividends

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

Payout procedures as decided by the Board of Directors shall be published in an official announcement by 14 May 2020. The starting date for distributing dividend payments is going to be 15 June 2020.

Information regarding Richter shares

The number of shares in issue at 31 March 2020 was unchanged compared to 31 December 2019, i.e. 186,374,860 shares.

The number of shares held by the Parent company in Treasury increased during the first quarter of 2020.

	Ordinary shares				
	31 March 2020	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Number	177,325	666,705	378,797	375,578	378,550
Book value (HUF '000)	1,053,654	3,874,929	2,163,935	2,147,952	2,170,810

In accordance with a repurchase obligation related to employee share bonuses, the Company repurchased 3,723 shares from employees who resigned from the Parent company during the first quarter 2020.

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

On 31 March 2020 the Group's subsidiaries held a total of 5,500 ordinary Richter shares.

In accordance with IFRS, the Company presents the shares held by the Employee's Share-Ownership Trust among own shares in its reports, although under the Hungarian Corporate law the ESOT does not qualify as a subsidiary of the Company and therefore the shares do not qualify as treasury shares.

The total number of Company shares at Group level held in Treasury at 31 March 2020 was 678,188 which also includes 495,363 shares held by the ESOT.

Share ownership structure

The shareholder structure at 31 March 2020 is presented in detail in the following table:

Ownership	Ordinary shares	Voting rights	Share capital
	Number	%	%
Domestic ownership	61,403,022	33.06	32.95
State ownership total	47,052,756	25.34	25.25
out of which MNV Zrt.	28,415,144	15.30	15.25
out of which Maecenas Universitatis Corvini Foundation	18,637,486	10.04	10.00
out of which Municipality	126	0.00	0.00
Institutional investors	7,617,170	4.10	4.09
Retail investors	6,733,096	3.62	3.61
International ownership	124,283,046	66.93	66.68
Institutional investors	123,887,922	66.72	66.47
Retail investors	395,124	0.21	0.21
Treasury shares	678,188	0.00	0.36
Undisclosed ownership	10,604	0.01	0.01
Share capital	186,374,860	100.00	100.00

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 27 February 2020 Richter announced that the European Medicines Agency (EMA) has accepted Richter's regulatory submission for a combined oral contraceptive, containing estetrol (E4) and drospirenone.
- On 2 March 2020 Richter and WhanIn Pharm. Co., Ltd. announced the signing of an exclusive license and supply agreement to commercialize cariprazine in South Korea by WhanIn.
- On 13 March 2020 Richter announced that the Pharmacovigilance Risk Assessment Committee (PRAC) of European Medicines Agency (EMA) has started a review of [Esmya®](#).
- On 31 March 2020 Richter and Myovant Sciences announced that they have entered into an exclusive license agreement for the commercialization of Relugolix combination tablet (relugolix 40 mg, estradiol 1.0 mg, and norethindrone acetate 0.5 mg) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States including Russia, Latin America, Australia, and New Zealand.
- On 7 April 2020 Richter announced that ZAO Firma CV PROTEK has submitted a voluntary purchase offer to the holders of PAO PROTEK common shares, an offer accepted by the Board of Directors of Richter.
- On 14 April 2020 Richter informed its shareholders that according to decree no. 102/2020. (IV.10.) of the Government of Hungary, no general meetings can be held in a way which would require the physical presence of the shareholders during the state of emergency related to the coronavirus pandemic. Thus, the Company will not hold its annual general meeting convoked for 28 April 2020. Said decree invested the Board of Directors with powers to decide on the draft resolutions published previously in connection with the originally convoked AGM.
- On 29 April 2020 Richter announced that it had entered into an asset purchase agreement with Mycenax in respect of biosimilar tocilizumab developed by the latter for the treatment of rheumatoid arthritis.
- On 30 April 2020 – Richter-Helm Biologics, a Richter and Helm joint venture announced that it had entered into an agreement with US based INOVIO to expand its manufacturing partnership in order to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19.

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. 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.



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 2020 results is prepared in accordance with the applicable accounting standards and according to the best of our knowledge. The report above provides a true and fair view of the financial position of Gedeon Richter Plc. 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, 8 May 2020



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 2019 are audited. Financial statements for the three months period ended 31 March 2020 and 31 March 2019 are unaudited.