**Gedeon Richter** 

Report to the Budapest Stock Exchange 6 months to June 2020



# Contents

Executive Summary	4
COVID 19 pandemic – crisis management	5
Notes to Specialty Sales	6
Notes to Pharmaceutical Sales	9
Background Information on Pharmaceutical Sales	12
Background Information on Wholesale and Retail Sales	13
Information on Business Segments	14
Consolidated Financial Statements	15
Consolidated Balance Sheet Consolidated Statement of Changes in Equity Consolidated Income Statement – HUF Consolidated Income Statement – EUR Consolidated Income Statement – 3 months to June HUF, EUR Consolidated Cash flow Statement Notes to Consolidated Financial Statements	.16 .18 .19 .20 .21
Corporate matters	26
Risk management	28
Disclosures	29

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.

"For the first time in history, an original molecule invented by a CEE headquartered pharmaceutical company reached blockbuster status in the USA in the first half of 2020. Thanks to the outstanding performance of our trusted partner Abbvie, Vraylar's turnover exceeded USD 1 billion in Q2, which triggered the receipt of a sales related milestone. Royalty revenues also grew on the back of robust sales dynamics in this period, putting the US at the top of our list of most important markets.

Our specialty business is well on the track with increasing sales of our core Women's Health franchise and promising performance of our first biosimilar, teriparatide.

We posted strong results so far in 2020 despite weaker demand for drugs due to less frequent patient-doctor in-person encounters in the context of the pandemic. Limitations on visits by sales staff and on direct promotional activities pose further challenges.

Richter's goal remains to ensure a sustainable supply of high quality and affordable medication worldwide, so we redouble our efforts to keep our team safe while striving for operational excellence. Our corporate culture of trust and our vertically integrated business model remain key to successfully navigating through these challenging times."

Gábor Orbán



# **Executive Summary**

Consolidated		HUF		EURm	)	
sales	2020	2019	Cha	nge	2020	2019
	6 months to June		%		6 months to June	
Total	278,692	241,522	37,170	15.4	806.2	753.9

Pharma		HUF	n		Notes	EURm	
sales	2020	2019	Cha	ange	· _	2020	2019
30163	6 months	to June		%		6 months to	June
Hungary	20,436	20,159	277	1.4	6)	59.1	62.9
EU*	66,927	61,820	5,107	8.3	7)	193.6	193.0
EU 12	33,655	30,740	2,915	9.5	,	97.4	96.0
Poland	13,711	12,719	992	7.8		39.7	39.7
Romania	6,007	5,392	615	11.4		17.4	16.9
EU 15**	33,272	31,080	2,192	7.1		96.2	97.0
CIS	61,758	58,390	3,368	5.8	8)	178.6	182.2
Russia	41,441	41,362	79	0.2		119.9	129.1
Ukraine	6,220	4,784	1,436	30.0		18.0	14.9
Other CIS	14,097	12,244	1,853	15.1		40.7	38.2
USA	52,948	32,225	20,723	64.3	9)	153.2	100.6
China	9,432	9,102	330	3.6	10)	27.3	28.4
Latin America	3,903	3,383	520	15.4	11)	11.3	10.6
RoW	14,448	9,293	5,155	55.5	12)	41.8	29.0
Total	229,852	194,372	35,480	18.3		664.9	606.7

\* excluding Hungary\*\* including UK

Specialty		HUFm			Notes	EURm	1
sales	2020	2019	С	hange	_	2020	2019
50105	6 month	s to June		%		6 months to	o June
cariprazine	45,103	25,070	20,033	79.9	1)	130.5	78.3
Vraylar royalty	35,298	16,904	18,394	108.8	, _	102.1	52.8
Vraylar milestone	7,946	7,072	874	12.4		23.0	22.1
Reagila	1,859	1,094	765	69.9		5.4	3.4
WHC	76,374	69,333	7,041	10.2	2)	220.9	216.4
Bemfola	6,887	8,382	-1,495	-17.8	3)	19.9	26.2
OCs	56,553	47,088	9,465	20.1		163.6	147.0
teriparatide	4,005	1,215	2,790	229.6	5)	11.6	3.8
Total	125,482	95,618	29,864	31.2	· ·	363.0	298.5
Proportion to Pharma sales (%)	54.6	49.2			_		

Wholesale	HUFm					EUR	m
and retail	2020	2020 2019 Change				2020	2019
sales	6 month	6 months to June		%		6 months to J	une
Total	54,647	51,435	3,212	6.2		158.1	160.5

Exchange rate gain at consolidated sales level:

HUF 16,217m

### Selected exchange rates – period averages

	2020 H1	2019 H1
EURHUF	345.67	320.38
USDHUF	312.79	283.62
RUBHUF	4.47	4.36
CNYHUF	44.91	41.77

### Selected consolidated business metrics

	HUFm			
	2020	2019		
	6 months to June			
Gross margin %	58.3	56.9		
Operating margin %	18.8	14.2		
Profit margin attributable to				
owners of the parent %	21.7	16.4		

# **COVID 19 pandemic – crisis management**

Subsequent to our update on the situation around the COVID 19 pandemic as reported in the first quarter 2020 we provide below a brief follow-up on the second quarter. The information presented below is in line with Management's latest information available at the time of publication.

Richter's vertically integrated operating model and our corporate culture of trust and cooperation have allowed us to service our customers on time and in full also into the second quarter. Some of the extraordinary safety measures put in place in March were gradually relaxed in the second quarter. We continue to prioritise the health and wellbeing of our team, while ensuring a sustainable supply of high quality and affordable medication worldwide.

While most of the operations directly impacted by the pandemic slowly reverted to business as usual, promotional activities were discontinued in March in practically all of our markets and remain on hold partly or fully in key areas. Russia is affected most with both in person and remote medical visits remaining entirely suspended. Doctor-patient contacts also remain subdued, which affects adversely the number of prescriptions for the time being.

Our balance sheet remains strong and our cashflow positive, while our cautious approach to receivables management further adds to our resilience during the global economic turbulence. No disruption to the usual payment procedures occurred neither in the reported period nor thereafter prior to the publication of this quarterly report.

# **Notes to Specialty Sales**

### 1) Cariprazine – Central Nervous System

Vraylar<sup>®</sup> royalty income due to Richter in the first half 2020 amounted to HUF 35,298m (USD 112.8m). This amount contributed materially to the sales levels achieved during the reported period.

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

Sales related **milestones** in respect of Vraylar<sup>®</sup> sales recorded in the USA by our partner, AbbVie/Allergan amounted to HUF 7,946m (USD 25.4m) when compared to the amount received on a similar ground during the first quarter 2019 of HUF 7,072m (USD 24.9m).

**Proceeds from** Reagila<sup>®</sup> amounted to HUF 1,859m (EUR 5.4m) during the reported period.

Figures in respect of Vraylar<sup>®</sup> shown in the following table are figures actually incurred.

		Turnover (Royalties included)					
	2020	2020	2019	2019	2019		
	Q2	Q1	Q4	Q3	Q2		
USDm / Vraylar <sup>®</sup> (royalty+API)	58.8	54.1	57.4	44.3	35.5		
EURm / Reagila <sup>®</sup> (royalty+product sales)	3.0	2.3	2.8	2.3	1.8		

### **Recent developments**

### USA

Despite certain difficulties related to pandemic developments which impacted the promotion and sales of Vraylar<sup>®</sup> during the second quarter 2020 the product achieved some quarter on quarter growth in sales.

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

### Europe – EU

Reagila<sup>®</sup> has already been launched by Recordati with reimbursement in 10 Western European countries (including the UK) and in Belgium without reimbursement.

Richter has earlier launched Reagila<sup>®</sup> with reimbursement in the following countries of the Central and Eastern European region: Hungary, Czech Republic, Slovakia, Bulgaria, Slovenia and Latvia.

The product has been already on the market in Romania, in Poland and in Lithuania without reimbursement.

### Europe – Non EU

Reagila<sup>®</sup> has earlier been launched by Recordati with reimbursement in Switzerland and Norway.

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

### CIS

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

### Other markets

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

Following the end of the reported period, Reagila<sup>®</sup> received regulatory approval in Jordan, where Hikma, is preparing for the launch of the product.

In June 2020 Reagila<sup>®</sup> was launched in Singapore and Thailand by Richter's local partner, Mitsubishi Tanabe Pharma Corporation.

### 2) Women's Healthcare – Core Business

### WHC sales by region

		HUFm	EURn	n		
	2020	2019	Cha	nge	2020	2019
	6 month	s to June		%	6 mont	ths to June
Hungary	2,105	2,640	-535	-20.3	6.1	8.2
EU*	31,612	32,406	-794	-2.5	91.4	101.1
EU 12	7,185	7,994	-809	-10.1	20.7	24.9
Poland	2,481	2,973	-492	-16.5	7.2	9.3
Romania	878	962	-84	-8.7	2.5	3.0
EU 15**	24,427	24,412	15	0.1	70.7	76.2
CIS	19,572	15,907	3,665	23.0	56.6	49.7
Russia	15,720	12,647	3,073	24.3	45.4	39.5
Ukraine	1,371	1,154	217	18.8	4.0	3.6
Other CIS	2,481	2,106	375	17.8	7.2	6.6
USA	6,738	6,424	314	4.9	19.5	20.0
China	7,255	4,759	2,496	52.4	21.0	14.9
Latin America	2,652	2,584	68	2.6	7.7	8.1
RoW	6,440	4,613	1,827	39.6	18.6	14.4
Total	76,374	69,333	7,041	10.2	220.9	216.4

\* excluding Hungary

\*\* including UK

WHC sales were higher in the first half 2020 across most of the relevant markets with the exception of Hungary and the EU12 region. Turnover of WHC products increased primarily in Russia as a result of higher sales levels recorded by our oral contraceptives. In addition notable growth in the sales of emergency contraceptives was reported in China, while increasing proceeds from oral contraceptives were achieved in the ROW countries.

	%	
	2020	2019
	6 months t	o June
Hungary	10.3	13.1
EU*	47.2	52.4
EU 12	21.3	26.0
EU 15**	73.4	78.5
CIS	31.7	27.2
USA	12.7	19.9
China	76.9	52.3
Latin America	67.9	76.4
RoW	44.6	49.6
Total	33.2	35.7

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

\* excluding Hungary

\*\* including UK

### EU15 Top 5 markets

	MEUR		
	2020	2019	
	6 month	ns to June	
Germany	17.3	17.4	
Spain	11.5	13.1	
Italy	11.0	11.1	
France	8.1	11.3	
UK	8.1	10.2	
Total Top 5 Sales	56.0	63.1	
Total EU15 Sales	70.7	76.2	
Total Top 5 Sales %	79.2	82.8	

		HUFm					n
	2020	2019	Cha	inge	·	2020	2019
	6 mor	6 months to June		%		6 mon	ths to June
Hungary	284	625	-341	-54.6		0.8	2.0
EU*	5,162	6,449	-1,287	-20.0		14.9	20.1
EU 12	616	620	-4	-0.6		1.7	1.9
EU 15**	4,546	5,829	-1,283	-22.0		13.2	18.2
RoW	1,440	1,308	132	10.1		4.2	4.1
Total	6,886	8,382	-1,496	-17.8		19.9	26.2

### 3) Bemfola<sup>®</sup> – Women's Healthcare

\* excluding Hungary

\* including UK

The decline in Bemfola<sup>®</sup> sales was primarily due to the pandemic situation as most of the fertility centres were closed for almost three months.

### 4) Esmya<sup>®</sup> – Women's Healthcare

A new PRAC review procedure was initiated in March 2020 in respect of Esmya<sup>®</sup>, which resulted in a suspension of sales. 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 4,005m (EUR 11.6m) in the first half 2020. Following the patent expiry of the original product, Richter launched its biosimilar, Terrosa<sup>®</sup> 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 growth rate of 4.8% and retail sales of Richter products achieved an increase of 2.4% 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 7.4%.

### 7) European Union

The **EU12** region sales represented 50% of total EU sales of the Group's pharmaceutical segment.

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

In **Romania** sales of well established branded generic products materially increased during the reported period.

Turnover in the **EU15** region increased by 7.1% in HUF terms and declined by 0.8% in EUR terms. This performance was impacted by a 7.9% depreciation of HUF against EUR. Turnover recorded in Germany, Spain, and Italy contributed the most to the sales level achieved during the reported period. As far as the product portfolio is concerned higher sales of oral contraceptives and Terrosa<sup>®</sup> could not offset the decline experienced in the turnover of Bemfola<sup>®</sup> and the loss of Esmya<sup>®</sup> sales. The region contributed 50%, 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 HUF denominated turnover in this region.

Sales to **Russia** at HUF 41,441m (RUB 9,271.0m) remained virtually flat in HUF terms. The performance was impacted by a slight, 2.5% relative appreciation of RUB against HUF. A volatile market environment was further aggravated by sales turbulences in connection with the pandemic while deteriorating purchasing power characterised the reported period all of which resulted in a slight decline of revenues when reported in RUB terms. Direct promotional activities were suspended by the Authorities in April 2020 and have not recommenced to date. 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 price adjustment of approximately 4% on average impacted positively our overall portfolio during the first half 2020.

Sales levels during the reported period at EUR 119.9m declined by 7.1% when compared to the first half 2019 having been impacted primarily by the weakening of EURRUB exchange rate and by lower sales levels achieved in RUB terms as explained above.

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

Sales reported in **Ukraine** at USD 19.9m were higher primarily due to a more than threefold turnover achieved by antiviral Groprinosin as a result of pandemic related forestalling in the first half 2020 emphasised by an overall low base figure. Sales to **Other CIS** markets also reported growth primarily due to an exceptional performance of Groprinosin complemented by a good performance of oral contraceptives 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

The significant year-on-year growth was primarily due to the accelerating royalty income based on turnover achieved by our partner, AbbVie/Allergan. Additionally, similar to the base period a one-off sales related milestone income linked to Vraylar<sup>®</sup> of HUF 7,946 (USD 25.4m) was accounted in the reported period. Sales of steroid APIs and income related to profit sharing agreements also contributed to sales levels achieved. As far as the revenues are concerned the USA became number one market due to the above developments.

### 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, which was offset by higher sales of emergency contraceptive Escapelle and other generic products. Sales of Escapelle included certain preshipments.

### 11) Latin America

The year-on-year increase was mainly due to pandemic related forestalling.

### 12) Rest of the World

Vietnam with oral contraceptives, Japan with teriparatide and Australia with Bemfola<sup>®</sup> 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**

	Currency	2020	2019	Change
	(million)	6 months	s to June	%
Hungon		20.426	20.450	1 /
Hungary	HUF	20,436	20,159	1.4
EU*	EUR	193.6	193.0	0.3
EU 12	EUR	97.4	96.0	1.5
Poland	PLN	175.1	170.3	2.8
Romania	RON	83.9	79.6	5.4
EU 15**	EUR	96.2	97.0	-0.8
CIS	EUR	178.6	182.2	-2.0
	USD	197.5	205.8	-4.0
Russia	RUB	9,271.0	9,486.8	-2.3
Ukraine	USD	19.9	16.9	17.8
Other CIS	EUR	40.7	38.2	6.5
	USD	45.1	43.1	4.6
USA	USD	169.3	113.6	49.0
China	CNY	210.0	217.9	-3.6
Latin America	USD	12.5	11.9	5.0
RoW	EUR	41.8	29.0	44.1
	USD	46.2	32.8	40.9

### by region in currencies of invoicing

\* excluding Hungary\*\* including UK

### to Top 10 markets

		HUFm	ו		EUI	Rm
	2020	2019	Cha	nge	2020	2019
	6 mo	nths to June		%	6 mont	hs to June
USA	52,948	32,225	20,723	64.3	153.2	100.6
Russia	41,441	41,362	79	0.2	119.9	129.1
Hungary	20,436	20,159	277	1.4	59.1	62.9
Poland	13,711	12,719	992	7.8	39.7	39.7
China	9,432	9,102	330	3.6	27.3	28.4
Germany	8,756	8,421	335	4.0	25.3	26.3
Ukraine	6,220	4,784	1,436	30.0	18.0	14.9
Romania	6,007	5,392	615	11.4	17.4	16.9
Spain	5,567	4,567	1,000	21.9	16.1	14.3
Italy	4,063	3,907	156	4.0	11.7	12.1
Total Top 10	168,581	142,638	25,943	18.2	487.7	445.2
Total Sales	229,852	194,372	35,480	18.3	664.9	606.7
Total Top 10 / To	tal Sales %				73.3	73.4

		HUFm			EUI	Rm
	2020	2019	Cha	nge	2020	2019
	6 moi	nths to June		%	6 month	ns to June
Oral						
contraceptives Vraylar <sup>®</sup> /	56,553	47,088	9,465	20.1	163.6	147.0
Reagila <sup>®</sup> / cariprazine	45,141	25,174	19,967	79.3	130.6	78.6
Cavinton	8,545	11,870	-3,325	-28.0	24.7	37.0
Panangin	7,854	6,592	1,262	19.1	22.7	20.6
Mydeton	7,821	8,774	-953	-10.9	22.6	27.4
Groprinosin	7,564	3,027	4,537	149.9	21.9	9.4
Verospiron	7,098	6,914	184	2.7	20.6	21.6
Bemfola <sup>®</sup>	6,887	8,382	-1,495	-17.8	19.9	26.2
Lisonorm	5,551	3,860	1,691	43.8	16.1	12.0
Aflamin	4,743	5,425	-682	-12.6	13.7	16.9
Total Top 10	157,757	127,106	30,651	24.1	456.4	396.7
Total Sales	229,852	194,372	35,480	18.3	664.9	606.7
Total Top 10 / Tot	tal Sales %				68.6	65.4

### of Top 10 products

# Background Information on Wholesale and Retail Sales

			HUI	Fm			EURm
	20	)20	2019	Ch	ange	2020	2019
		6 r	nonths to June		%	6 n	nonths to June
EU*	43,5	555	41,410	2,145	5.2	126.0	129.2
EU 12	43,5	555	41,410	2,145	5.2	126.0	129.2
Romania	43,5	555	41,410	2,145	5.2	126.0	129.2
CIS	8,7	<b>'</b> 49	7,838	911	11.6	25.3	24.5
Other CIS	8,7	<b>'</b> 49	7,838	911	11.6	25.3	24.5
Latin America	2,3	343	2,187	156	7.1	6.8	6.8
Total	54,6	647	51,435	3,212	6.2	158.1	160.5

\* excluding Hungary

	Pharmac	Pharmaceuticals	Wholesale and retail	nd retail	Other	ler	Eli	Eliminations	Gro	Group total
	6 months to June	s to June	6 months to June	o June	6 months to June	to June	6 mor	6 months to June	6 mont	6 months to June
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
P&L items HUFm										
Revenues	229,852	194,372	54,647	51,435	3,421	3,060	(9,228)	(7,345)	278,692	241,522
Cost of sales	(72,680)	(62,408)	(49,018)	(46,290)	(2,891)	(2,621)	8,370	7,288	(116,219)	(104,031)
Gross profit	157,172	131,964	5,629	5,145	530	439	(858)	(57)	162,473	137,491
Profit from operations	52,794	34,229	156	107	180	114	(808)	(40)	52,322	34,410
Net financial income	10,344	8,497	(999)	(365)	2	-	(234)	(266)	9,451	7,136
Miscellaneous items										
Capital expenditure HUFm	33,256	15,187	336	130	105	87	1		33,697	15,404
Number of employees at the end of the period	11,134	10,926	1,453	1,510	416	433		'	13,003	12,869
Business metrics %										
Gross margin	68.4	67.9	10.3	10.0	15.5	14.3		ı	58.3	56.9
Operating margin	23.0	17.6	0.3	0.2	5.3	3.7	i.	ı	18.8	14.2

Information on Business Segments

# **Consolidated Financial Statements**

Company name: Gedeon Richter Plc. Company address: 1103 Budapest, Gyömrői út 19-21., Hungary Sector: Pharmaceutical Reporting period: January-June 2020

Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

# **Consolidated Balance Sheet**

	30 June 2020 Unaudited HUFm	Notes	31 December 2019 Audited HUFm	Change %
				70
ASSETS	907,347		858,651	5.7
Non-current assets	451,366	13)	449,071	0.5
Property, plant and equipment	242,636		244,754	-0.9
Investment property	119		111	7.2
Goodwill	30,964		29,503	5.0
Other intangible assets	141,116		127,635	10.6
Investments in associates and joint				
ventures	17,133		16,192	5.8
Other financial assets	6,852		19,030	-64.0
Deferred tax assets	8,603		6,988	23.1
Loans receivable	2,075		2,021	2.7
Long term receivables	1,868		2,837	-34.2
Current assets	455,981	14)	409,580	11.3
Inventories	112,926		98,995	14.1
Contract assets	2,680		3,466	-22.7
Trade receivables	155,470		154,426	0.7
Other current assets	20,836		21,376	-2.5
Investments in securities	7,442		1,545	381.7
Current tax asset	567		1,199	-52.7
Cash and cash equivalents	156,060		128,573	21.4
EQUITY AND LIABILITIES	907,347		858,651	5.7
Capital and reserves	777,243	15)	724,873	7.2
Share capital	18,638		18,638	0.0
Treasury shares	(3,886)		(3,870)	0.4
Share premium	15,214		15,214	0.0
Capital reserves	3,475		3,475	0.0
Foreign currency translation reserves	24,788		22,213	11.6
Revaluation reserves for securities at				
FVOCI	957		8,620	-88.9
Retained earnings	709,900		653,691	8.6
Non-controlling interest	8,157		6,892	18.4
Non-current liabilities	21,905	16)	24,216	-9.5
Deferred tax liability	1,060		1,925	-44.9
Other non-current liabilities and accruals	16,533		18,004	-8.2
Provisions	4,312		4,287	0.6
Current liabilities	108,199	17)	109,562	-1.2
Trade payables	53,325		61,770	-13.7
Contract liabilities	-		745	-100.0
Current tax liabilities	212		382	-44.5
Other current liabilities and accruals	51,122		42,721	19.7
Provisions	3,540		3,944	-10.2

Prepared in accordance with IAS 34 Interim Financial Reporting



Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> 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 Exchange differences arising on translation	-	-	-		-	39,536	-	39,536	33	39,569
of foreign operations Exchange differences arising on translation of associates and joint	-	-	-	-	4,642	-	-	4,642	80	4,722
ventures Changes in the fair value of equity investments measured	-	-	-	-	26	-	-	26	-	26
at FVOCI	-		-	_			2,177	2,177	-	2,177
Comprehensive income at 30 June 2019	-	-	-	-	4,668	39,536	2,177	46,381	113	46,494
Ordinary share dividend for 2018 Dividend paid to non-	-	-	-	-	-	(18,637)	-	(18,637)	-	(18,637)
controlling interest Recognition of share-	-	-	-	-	-	-	-	-	(8)	(8)
based payments	-	-	-	-	-	855	-	855	-	855
Balance at 30 June 2019	18,638	15,214	3,475	(2,186)	18,850	647,806	6,987	708,784	5,665	714,449

Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

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	40.000	45.044	0 475	(0.070)	00.040	050.004	0.000	747.004	0.000	704 070
2019 Drafit for the neried	18,638	15,214	3,475	(3,870)	22,213	653,691	8,620	717,981 60,531	6,892	724,873
Profit for the period Exchange differences arising on translation of	-	-	-	-	-	60,531	-	60,531	765	61,296
foreign operations	-	-	-	-	2,817	-	-	2,817	534	3,351
Exchange differences										
arising on translation of										
associates and joint ventures	_	_	_	_	(242)	-	-	(242)	_	(242)
Changes in the fair value	of				(272)			(272)		(272)
equity investments										
measured at FVOCI	-	-	-	-	-	-	(1,094)	(1,094)	-	(1,094)
Comprehensive income a	t				0 575	60 E21	(1 00 1)	62,012	1.299	62 244
<u>30 June 2020</u> Transfer of gain on dispos	-	-	-	-	2,575	60,531	(1,094)	02,012	1,299	63,311
of equity investments at fa value through other comprehensive income to	air									
retained earnings	-	-	-	-	-	6,569	(6,569)	-	-	-
Transfer of treasury share		-	-	(16)	-	16	-	-	-	-
Recognition of share-base	ed					00.1		004		004
payments Ordinary share dividend f	-	-	-	-	-	834	-	834	-	834
Ordinary share dividend for 2019	-	-	-	_	-	(11,741)	-	(11,741)	-	(11,741)
Dividend paid to non-						(,,,,,,,,)		(,)		(,)
controlling interest	-	-		-	-	-	-	-	(34)	(34)
Balance at 30 June										
2020	18,638	15,214	3,475	(3,886)	24,788	709,900	957	769,086	8,157	777,243



Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

### **Consolidated Income Statement – HUF**

For the year ended 31 December		F	or the p	eriod ended	30 June
2019 Audited HUFm		2020 Unaudited HUFm	Notes	2019 Unaudited HUFm	Change %
507 704	_	070.000		044 500	45.4
507,794		278,692		241,522	15.4
	Cost of sales	(116,219)	10)	(104,031) 137,491	11.7 18.2
(121,819)	Gross profit Sales and marketing expenses	162,473	18) 19)		-8.0
(121,019) (28,977)	Administration and general expenses	(58,186) (13,973)	20)	(63,277) (13,703)	-8.0
(48,860)	Research and development expenses	(29,489)	20)	(24,604)	19.9
(44,793)	Other income and other expenses (net)	(8,346)	22)	(1,578)	428.9
(11,100)	Net impairment losses on financial and	(0,010)	~~)	(1,070)	120.0
1,051	contract assets	(157)		81	n.a.
39,896		52,322	23)	34,410	52.1
20,500	Finance income	20,209		10,541	91.7
(10,206)	Finance costs	(10,758)		(3,405)	215.9
10,294	Net financial income	9,451	24)	7,136	32.4
	Share of profit of associates and joint		, i		
658	ventures	1,348		549	145.5
	Profit before income tax	63,121		42,095	49.9
2,275	Income and deferred tax	555	25)	(467)	n.a.
(4,693)	Local business tax and innovation	(2,380)		(2,059)	15.6
,	contribution	. ,		, ,	
48,430		61,296		39,569	54.9
17 125	Profit attributable to: Owners of the parent	60,531	26)	39,536	53.1
	Non-controlling interest	765	20)	33	n.a.
1,200	Statement of comprehensive income	100			n.a.
48,430		61,296		39,569	54.9
40,430	Actuarial loss on retirement defined	01,290		39,309	54.9
(640)	benefit plans	_		-	n.a.
(010)	Changes in the fair value of equity				ma.
3,810	investments measured at FVOCI	(1,094)		2,177	n.a.
- ,	Items that will not be reclassified to profit or	( ) /		,	
3,170	loss (net of tax)	(1,094)		2,177	n.a.
	Exchange differences arising on				
8,460	translation of foreign operations	3,351		4,722	-29.0
	Exchange differences arising on				
	translation of associates and joint				
(179)	ventures	(242)		26	n.a.
	Items that may be subsequently	3,109		4,748	-34.5
8,281	reclassified to profit or loss (net of tax)				
11,451		2,015		6,925	-70.9
59,881	Total comprehensive income for the period	63,311		46,494	36.2
50 226	Attributable to: Owners of the parent	62,012		46,381	33.7
58,336	Non-controlling interest	1,299		40,301	
HUF	Earnings per share (EPS)	HUF		HUF	n.a. %
253	Basic	326		212	53.8
253	Diluted	326		212	53.8
200	שווענפע	520		212	55.0

Prepared in accordance with IAS 34 Interim Financial Reporting.

Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

# **Consolidated Income Statement – EUR**

For the year ended 31 December		For the p	eriod ended	30 June
2019 Audited EURm		2020 Unaudited EURm	2019 Unaudited EURm	Change %
	Revenues	806.2	753.9	6.9
	Cost of sales	(336.2)	(324.7)	3.5
	Gross profit	470.0	429.2	9.5
(374.4)	Sales and marketing expenses	(168.3)	(197.5)	-14.8
(89.1)	Administration and general expenses	(40.4)	(42.9)	-5.8
(150.2)	Research and development expenses	(85.3)	(76.8)	11.1
(137.6)	Other income and other expenses (net) Net impairment losses on financial and	(24.1)	(4.9)	391.8
3.2	contract assets	(0.5)	0.3	n.a.
	Profit from operations	151.4	107.4	41.0
63.0	Finance income	58.4	32.9	77.5
(31.3)	Finance costs	(31.1)	(10.6)	193.4
31.7	Net financial income	27.3	22.3	22.4
2.0	Share of profit of associates and joint ventures	3.9	1.7	129.4
	Profit before income tax	182.6	131.4	39.0
	Income and deferred tax	1.6	(1.5)	n.a.
	Local business tax and innovation contribution	(6.9)	(6.4)	7.8
148.9	Profit for the period	177.3	123.5	43.6
	Profit attributable to:			
	Owners of the parent	175.1	123.4	41.9
	Non-controlling interest	2.2	0.1	n.a.
325.36	Average exchange rate (EURHUF)	345.67	320.38	7.9
	Statement of comprehensive income			
148.9	Profit for the period	177.3	123.5	43.6
	Actuarial loss on retirement defined benefit			
(2.0)	plans	-	-	n.a.
	Changes in the fair value of equity investments			
11.7	measured at FVOCI	(3.2)	6.8	n.a.
	Items that will not be reclassified to profit or loss			
9.7	(net of tax)	(3.2)	6.8	n.a.
	Exchange differences arising on translation of			
26.0	foreign operations	9.7	14.7	-34.0
	Exchange differences arising on translation of			
(0.5)	associates and joint ventures	(0.7)	0.1	n.a.
	Items that may be subsequently reclassified to			
	profit or loss (net of tax)	9.0	14.8	-39.2
	Other comprehensive income for the period	5.8	21.6	-73.1
184.1	Total comprehensive income for the period Attributable to:	183.1	145.1	26.2
179.4		179.4	144.8	23.9
4.7	Non-controlling interest	3.7	0.4	825.0
	Earnings per share (EPS)	EUR	EUR	%
0.78	Basic	0.94	0.66	42.4
0.78	Diluted	0.94	0.66	42.4
0.76	Diluted	0.94	0.00	42.4

Prepared in accordance with IAS 34 Interim Financial Reporting.



Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

### **Consolidated Income Statement – 3 months to June HUF, EUR**

			April-Jur 3 month			
	2020	2019	Change	2020	2019	Change
	HUFm	HUFm	%	EURm	EURm	%
		_				
Revenues	137,266	119,910	14.5	390.4	370.9	5.3
Cost of sales	(56,494)	(52,366)	7.9	(160.6)	(162.0)	-0.9
Gross profit	80,772	67,544	19.6	229.8	208.9	10.0
Sales and marketing expenses	(25,990)	(31,555)	-17.6	(73.7)	(97.6)	-24.5
Administration and general	(6,981)	(7,282)	-4.1	(19.8)	(22.7)	-12.8
expenses	(0,901)	(7,202)	-4.1	(19.0)	(22.7)	-12.0
Research and development	(14,375)	(12,903)	11.4	(40.9)	(39.9)	2.5
expenses	(14,575)	(12,303)	11.4	(40.3)	(55.5)	2.0
Other income and other	(6,044)	1,359	n.a.	(17.3)	4.3	n.a.
expenses (net)	(0,044)	1,000	n.a.	(17.0)	4.0	n.a.
Net impairment losses on						
financial and contract assets	(259)	49	n.a.	(0.8)	0.2	n.a.
Profit from operations	27,123	17,212	57.6	77.3	53.2	45.3
Finance income	5,343	2,995	78.4	14.7	9.1	61.5
Finance costs	(1,609)	(1,100)	46.3	(4.2)	(3.3)	27.3
Net financial income	3,734	1,895	97.0	10.5	5.8	81.0
Share of profit of associates and						
joint ventures	364	224	62.5	1.0	0.7	42.9
Profit before income tax	31,221	19,331	61.5	88.8	59.7	48.7
Income and deferred tax	2,156	(357)	n.a.	6.3	(1.2)	n.a.
Local business tax and innovation						
contribution	(1,191)	(1,037)	14.9	(3.4)	(3.2)	6.3
Profit for the period	32,186	17,937	79.4	91.7	55.3	65.8
Profit attributable to:						
Owners of the parent	31,530	17,523	79.9	89.8	54.0	66.3
Non-controlling interest	656	414	58.5	1.9	1.3	46.2
Average exchange rate (EURHUF)				350.99	324.36	8.2
Earnings per share (EPS)	HUF	HUF	%	EUR	EUR	%
Basic	170	94	80.9	0.48	0.29	65.5
Diluted	170	94 94	80.9	0.48	0.29	65.5
Diatod	170		00.9	0.70	0.23	00.0

Telephone: +36-1-431-5764 Fax: +36-1-261-2158 E-mail address: <u>investor.relations@richter.hu</u> Investor relations manager: Katalin Ördög

# **Consolidated Cash flow Statement**

A december 31-ével végződő évről		A június 30-a	ával végződő	ő periódusról
2019 Auditált MFt		2020 Nem auditált MFt	Jegyzetek	2019 Nem auditált MFt
	Üzleti tevékenység			
50.848	Adózás előtti eredmény	63.121		42.095
39.320	Értékcsökkenés és amortizáció	19.861		17.505
(	A konszolidált eredménykimutatásban elszámolt	( )		
(503)	pénzmozgással nem járó tételek	(2.063)		148
(320)	Nettó kamat- és osztalékbevétel	(198)		(442)
700	Meghatározott juttatási programokra képzett	(20)		(25)
733	céltartalék Ingatlanok, üzemi berendezések, felszerelések és	(28)		(35)
	immateriális javak változásának eredményének			
1.725	átsorolása	256		389
1.120	Immateriális javak és üzleti vagy cégérték	200		000
38.055	értékvesztése	4.202		-
	Részvényalapú kifizetések elszámolásával			
1.636	kapcsolatos ráfordítások	834		855
	Működő tőke változásai			
	Vevők és egyéb követelések			
(33.063)	csökkenése/(növekedése)	1.287		(9.009)
(6.308)	Készletek növekedése	(13.931)		(12.076)
	Szállítók és egyéb kötelezettségek			
13.452	(csökkenése)/növekedése	(1.338)		9.880
(1)	Fizetett kamat	(19)		(1)
(7.360)	Fizetett nyereségadó	(2.983)		(2.950)
98.214	Üzleti tevékenységből származó nettó cash flow Befektetési tevékenység	69.001		46.359
	Ingatlanok, üzemi berendezések és felszerelések			
(39.507)	beszerzése	(11.339)	27)	(15.404)
(18.578)	Immateriális javak beszerzése	(22.358)	28)	(10.101)
(101010)	Ingatlanok, üzemi berendezések, felszerelések	()	_0)	
1.449	értékesítésének bevétele	223		815
	Beruházáshoz kapcsolódóan befolyt állami			
2.428	támogatások	-		-
	Befektetett pénzügyi eszközök megszerzésére			
(11.633)	fordított pénzeszköz	(5.631)		17
	Befektetett pénzügyi eszközök értékesítéséből,			
4.731	lejáratából származó bevétel	10.807		3.297
492	Adott kölcsönök törlesztése/(nyújtása)	231		(79)
914 1	Kamatbevételek Osztalékbevétel	522 4		442
1	Befektetési tevékenységre felhasznált nettó cash	4		I
(59.703)		(27.541)		(10.911)
(00.100)	Pénzügyi tevékenység	(27.011)		(10.011)
(3.539)	Saját részvények vásárlása	-		-
(18.850)	Fizetett osztalék törzsrészvényekre	(11.775)		(18.645)
(3.791)	Lízingtörlesztés	<b>(1.651)</b>		· · · ·
(2)	Hiteltörlesztés (-)			- 1
	Hitelfelvétel (+)	-		28
	Pénzügyi tevékenységre felhasznált nettó cash flow	(13.426)		(18.617)
	Pénz és pénzeszköz egyenértékes növekedése	28.034		16.831
113.021	Pénz és pénzeszköz egyenértékes év elején	128.573		113.021
2 000	Árfolyamváltozás hatása a külföldi pénznemben	(= 17)		2 0 2 2
	tartott egyenlegekre Pénz és pénzeszköz egyenértékes időszak végén	(547) 156.060		2.023 131.875
120.573	T CHZ CS PEHZESZKUŻ EGYENETIEKES IUUSZAK VEGEN	130.000		131.073

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 17) are reported in comparison to 31 December 2019 audited figures.

### 13) Non-current assets

Goodwill increased primarily as a result of the 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. In addition a milestone amounting to HUF 2,070m was paid in respect of LIDBREE<sup>™</sup> (formerly known as SHACT). The above increase was partly offset by certain impairment losses as described below in Note 22.

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 Inventories built up during the first half 2020 subsequent to a declining demand connected to market volatility during the pandemic.

Investments in securities increased as the Company acquired sovereign bonds during the reported period.

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 amounted to HUF 709,900m and increased by HUF 56,209m. Revaluation reserves for securities at FVOCI declined in respect of Protek fair value, while crediting Retained earnings with the same amount.

### 16) Non-current liabilities

Other non-current liabilities and accruals declined subsequent to the reclassification of certain non-current items as current ones during the reported period.

### 17) Current liabilities

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

### 18) Gross profit and margin

Gross profit was positively impacted by

- a significant year-on-year increase (HUF 18,394m) in royalties receivable linked to the sales of Vraylar<sup>®</sup>. As sales related milestones were received both in the base period and in the first half 2020, its positive impact on the change of gross profit was limited to USDHUF exchange rate weakening experienced in the past 12 months;
- an increasing turnover of certain higher margin oral contraceptives and emergency contraceptives;
- a higher demand experienced in the first quarter linked to some of our products, such as cardiovasculars and antiviral Groprinosin, partly due to pandemic related forestalling,
- an overall favourable FX environment with a strengthening USD together with a weakening HUF impacted on gross profit by increasing HUF denominated turnover,

while it was negatively impacted by the following:

- increasing inventories eroded the gross profit;
- a decline in sales experienced by a number of our branded generics and traditional products which includes delisting of Cavinton in China and compulsory price adjustment initiated in Russia;
- considerable increases of wages in Central and Eastern Europe.

### Gross margin

58.3%

56.9%

Gross margin increased during the reported period when compared to that achieved in the first six months to June 2019 as a result of the previously detailed contradictory items. In addition, higher turnover achieved by the core Pharmaceutical segment exceeded the sales growth rate of the low margin Wholesale and retail business.

### 19) Sales and marketing expenses

Proportion to sales: 20.9% 26.2%

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

### Amortisation of acquired portfolio

Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 2,182m.

### **Registration fee for medical representatives**

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

### 20) Administrative and general expenses

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

### 21) Research and development expenses

Proportion to sales: 10.6% 10.2%

These expenses include the ongoing clinical trials being carried out in co-operation with 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 having moved into the clinical phase, increasing costs of such trials, increasing registration fees and IT costs now also charged to this functional area.

### 22) Other income and other expenses

#### **Claw-back**

During the reported period Other income and expenses include liabilities amounting to HUF 2,330m in respect of the claw-back regimes. Higher claw-backs in Germany could not be offset by practically zero Esmya<sup>®</sup> sales and claw-back expenses connected thereto.

#### **One-off items**

One-off milestones accounted for as Other income in the reported period amounted to HUF 589m, primarily linked to licensing-out of cariprazine to our South Korean partner. Such income accounted for in the base period amounted to HUF 3,163m. Subsequent to a review of research programs conducted and product launches executed an impairment loss of HUF 4,202m was incurred at certain products/projects related to our WHC franchise.

#### 20% tax obligation payable

In the six months to June 2020 an expense of HUF 774m 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.

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

Profit from operations increased significantly during the first half 2020 when compared to the same period 2019.

# **Operating margin** 18.8%

14.2%

### **EBITDA** HUF 70,149m

HUF 51,915m

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.

### 24) Consolidated net financial income

	HUFm			EURm		
	2020	2019	Change	2020	2019	Change
	6 months to June		onango	6 months to June		onango
Unrealised financial items	3,786	2,294	1,492	11.0	7.2	3.8
Exchange gain on trade receivables and						
trade payables	1,547	1,527	20	4.5	4.8	-0.3
Gain on foreign currency loans						
receivable	935	870	65	2.7	2.7	-
Foreign exchange and fair valuation						
difference of other financial assets and						
liabilities	1,690	(103)	1,793	4.9	(0.3)	5.2
Result of unrealised forward exchange		. ,			. ,	
contracts	5	-	5	0.0	-	0.0
Interest expenses related to IFRS 16						
standard	(309)	-	-309	(0.9)	-	-0.9
Year-end foreign exchange difference						
related to IFRS 16 standard	(82)	-	-82	(0.2)	-	-0.2
Realised financial items	5,665	4,842	823	16.3	15.1	1.2
Exchange gain realised on trade						
receivables and trade payables	4,729	3,846	883	13.7	12.0	1.7
Foreign exchange difference on						
conversion of cash	393	633	-240	1.1	2.0	-0.9
Dividend income	4	1	3	0.0	0.0	0.0
Interest income	522	442	80	1.5	1.4	0.1
Interest expense	(19)	(1)	-18	(0.1)	(0.0)	-0.1
Other financial items	36	(79)	115	0.1	(0.3)	0.4
Net financial income	9,451	7,136	2,315	27.3	22.3	5.0

### 25) Income and deferred tax

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

In the first half 2020 the Group reported HUF 555m tax income which resulted from a HUF 1,732m corporate tax expense, a HUF 2m extraordinary tax expense and a HUF 2,289m deferred tax income.

### 26) Net income margin attributable to owners of the parent

21.7% 16.4%

### 27) and 28) Capital expenditure

Capital expenditure for the Group including payments for intangible assets (HUF 22,358m) totalled HUF 33,697m in the first half 2020 when compared to HUF 15,404m reported for the same period in 2019.

### **Corporate matters**

#### Information regarding Richter shares

The number of shares in issue at 30 June 2020 was unchanged compared to 31 March 2020, i.e. 186,374,860 shares.

The number of shares held by the Parent company in Treasury decreased during the first half of 2020.

	Ordinary shares					
	30 June 2020	31 March 2020	31 December 2019	30 September 2019	30 June 2019	
Number	174,850	177,325	666,705	378,797	375,578	
Book value (HUF '000)	1,044,855	1,053,654	3,874,929	2,163,935	2,147,952	

On 30 June 2020 the Group's subsidiaries held a total of 5,500 ordinary Richter shares.

In accordance with a repurchase obligation related to employee share bonuses, the Company repurchased 2,305 shares from employees who resigned from the Parent company during the second quarter 2020.

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

In the second quarter 2020 Richter purchased 4,935 treasury shares on the OTC market.

The total number of Company shares at Group level held in Treasury at 30 June 2020 was 180,350.

### Share ownership structure

The shareholder structure at 30 June 2020 is presented in detail in the following table:

Oursenshin	Ordinary shares	Voting rights	Share capital	
Ownership	Number	%	%	
Domestic ownership	60,829,371	32.75	32.64	
State ownership total*	47,052,756	25.34	25.25	
out of which MNV Zrt.	9,777,658	5.26	5.25	
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	
out of which Municipality	126	0.00	0.00	
Institutional investors	7,163,896	3.86	3.84	
Retail investors	6,612,719	3.55	3.55	
International ownership	124,848,922	67.24	66.99	
Institutional investors	123,687,584	66.61	66.37	
Retail investors	1,161,338	0.63	0.62	
Treasury shares**	675,713	0.00	0.36	
Undisclosed ownership	20,854	0.01	0.01	
Share capital	186,374,860	100.00	100.00	

\* The legal and technical process of share transfer is ongoing.

\*\* Treasury shares include the combined ownership of the parent company, the EPP Organisation and the subsidiaries.

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 18 June 2020 Richter informed its shareholders that the transaction of transferring the 18,637,486 Richter common shares – owned by the Hungarian State and held by Hungarian National Asset Management Incorporated (HNMA Inc.) – to the property of Tihanyi Foundation had closed, it having commenced on 15 June, 2020. Because of the transaction, in Gedeon Richter Plc. the influence (voting rights and ownership ratio) of the Hungarian State represented by HNMA Inc. has decreased from 25.25% to 15.25%. Simultaneously the influence (voting rights and ownership ratio) of Tihanyi Foundation has increased from 0% to 10% in Gedeon Richter Plc.

# **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 6 months to June 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, 3 August 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 six months period ended 30 June 2020 and 30 June 2019 are unaudited.