



Richter Group

Report, Q1 2020

Budapest, 8 May 2020

The pharma sector was also heavily impacted by the pandemic

Short term effects of COVID

Supply effects

Loss of labor and decreasing of efficiency due to infection or official measures on limitation of movement

Disruptions of supply chains

Shortage of raw materials due to the closure of production plants

Cancellation of partnering, promotional and scientific events

Postponement of business negotiations and the travel of experts

Cancellation of Audits

Demand effects

Lack of personal contact with doctors and lack of medical forums (e.g. conferences, meetings)

Lack of access to doctors for patients

Rising unemployment rate

Stockpiling on essential medicine

Changes in working conditions

Increasing digitization

Government action (tax and labor relief, subsidies, subsidy restrictions, etc.)

Our action focus

No significant action was needed

We have avoided any disruption to operations so far

**Ensure Gedeon
Richter's
operations**



Management

Successful and efficient crisis management, actions were made on time



Industry

The industry is relatively **protected to business cycles**, especially in the event of such a health crisis



Organization

Financial stability, the **diversification of our markets and customers**, our **vertically integrated processes** and our **strong, cohesive organizational culture**

Our response: How do we cope with COVID-19?



Our employees

- Setting up our **own in-house pandemic response team**
- First measures: from 28 February 2020
- **Travel restrictions**
- Social **distancing**, provision of **protective gear**, travel allowances
- Supporting **remote work** and providing the necessary equipment
- **Continuous and up-to-date** internal communication



Supply chain

- **Vertically integrated** business model
- **Longer waiting times** and **increasing risk** in procuring **raw materials**, protective equipment and other materials
- **Temporary loss of productivity** due to Community distance measures
- **Despite the difficulties, we were able to deliver all our products to all markets on time!**



Patient & doctors

- **Termination of promotional activity** based on personal visit
- Redirect activities to **online channels**



Financials

- **Solid foundations:** capital strength, no loans, constantly positive cash flow
- **Mitigation of foreign exchange** risks via natural hedging
- We have **no FX futures** or **options**



Charity

- Donate **IT equipment to families in need** (UNICEF)
- All members of Richter's Board of Directors and Supervisory Board offered their total monthly fee of **6 mHUF to the employees of the National Ambulance Service (OMSZ)**.
- Donation of **2 mHUF** to all former participants of **Richter Health City** (70 hospitals and clinics)
- **Financial assistance** to several countries through affiliates, international CSR activities

4 main trends that may shape our environment medium to long-term

1

Decreasing purchasing power and changing payer attitude

This can have foreseeable effects:

- **Increasing price pressure** (downwards) on generic products
- **Restricting the registration** of innovative products, even pausing it for a while
- **Decreasing demand** on **out of pocket models**
- The question of **biosimilars**: can this help in terms of licensing, registration, price level?

2

Slowdown of clinical trials

The slowdown of clinical trials:

- Have a negative impact on our development process
- Rise of digital channels in clinical trials

3

Changes in Supply chains

The change of supply chains:

- The prospects of **European relocation** and their potential impact on our **cost levels**, the **rate of price erosion** or the operations of our **competitors**
- More **fragmented global economy** that is not accompanied by a contraction in Asia

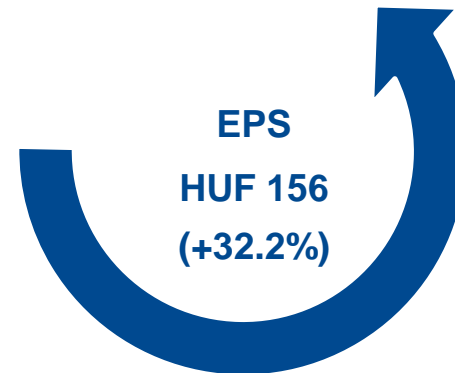
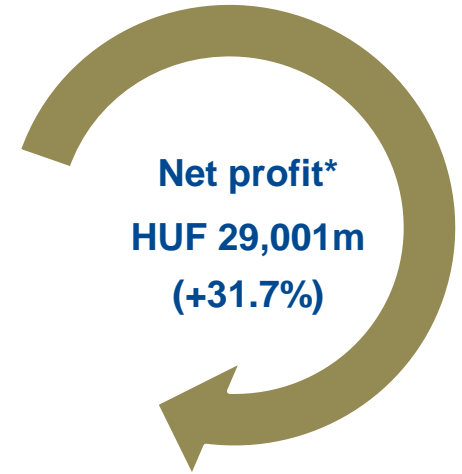
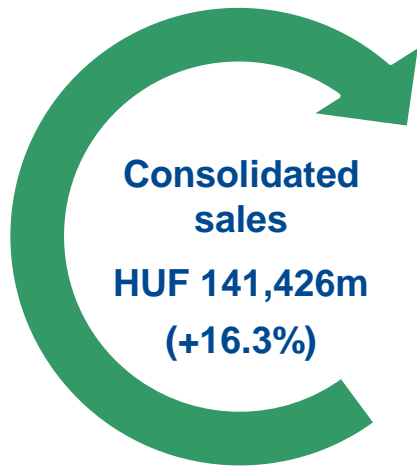
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Lack of physical medical visits

The possibilities of medical visits through digital channels:

- Huge impact on **cost level**

Q1 2020 Highlights



**Net income attributable to owners of the parent.*

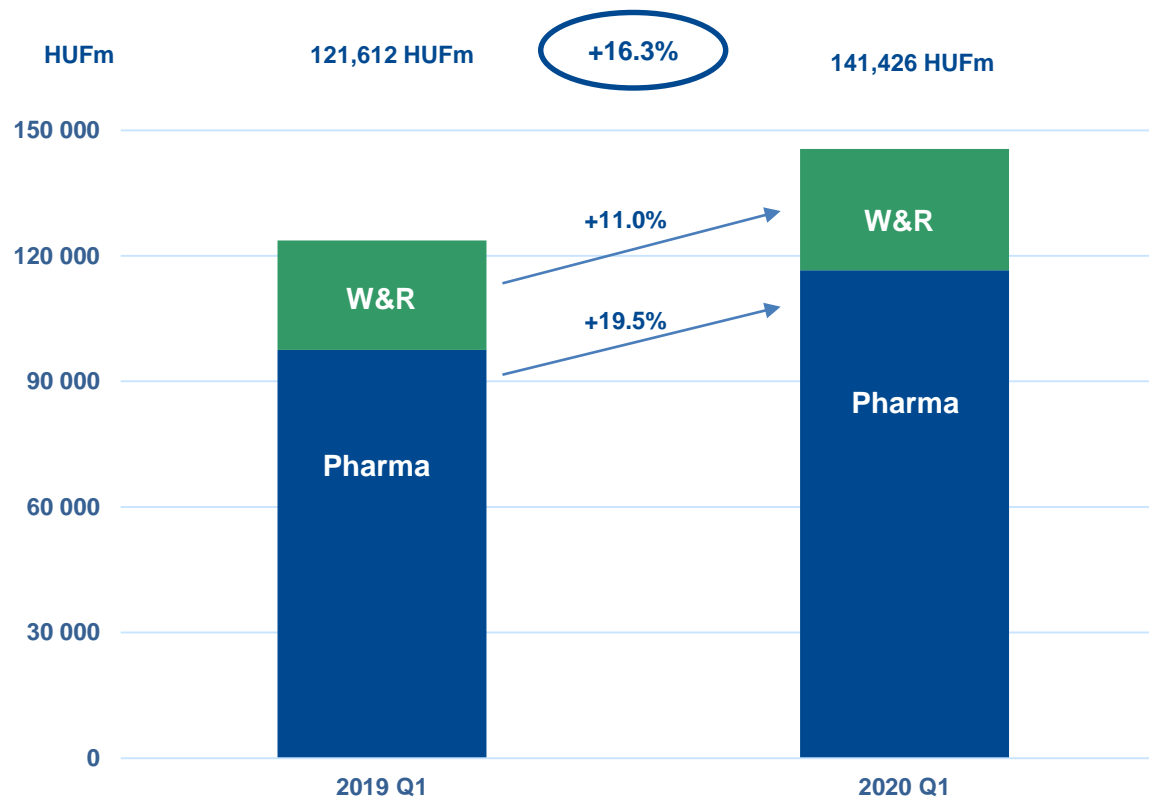
Key events in Q1 2020 I.

Strategic pillars	Events
Cariprazine	<ul style="list-style-type: none">• Exclusive license and supply agreement with WhanIn to commercialize cariprazine in South Korea.
Women's Healthcare	<ul style="list-style-type: none">• EMA accepted Richter's regulatory submission: combined oral contraceptive (estetrol + drospirenone)• The PRAC started a new review of Esmya®.• Exclusive license agreement with Myovant to commercialize Relugolix combination tablet for uterine fibroids + endometriosis in Europe, the CIS, Latin America, Australia and New Zealand.

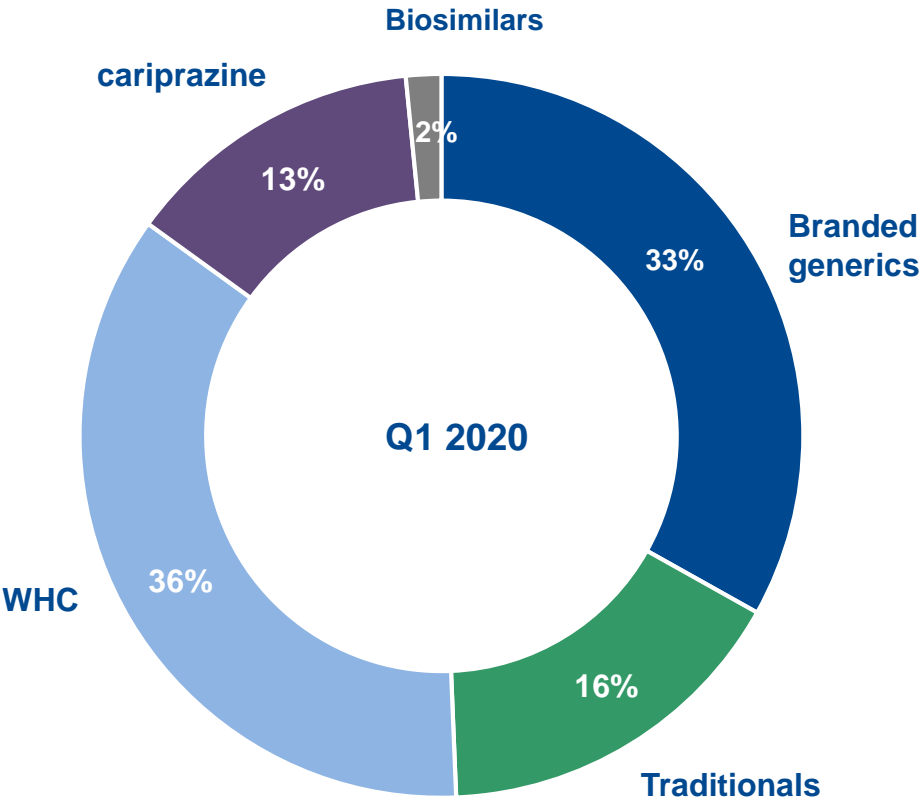
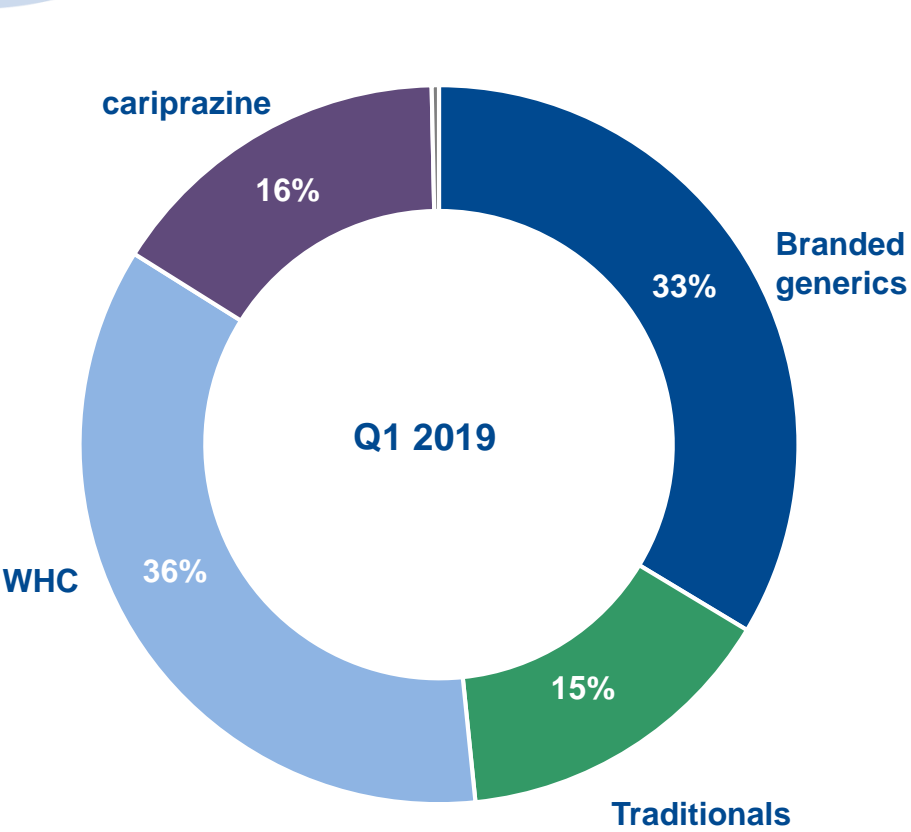
Key events in Q1 2020 II.

Strategic pillars	Events
Biotechnology	<ul style="list-style-type: none">• Asset purchase agreement with Mycenax for biosimilar tocilizumab (rheumatoid arthritis).• Richter-Helm Biologics - agreement with US based INOVIO (expansion of manufacturing partnership to support large-scale manufacturing of INOVIO's investigational DNA vaccine for COVID-19).
Other	<ul style="list-style-type: none">• ZAO Firma CV PROTEK submitted a voluntary purchase offer to the holders of PAO PROTEK common shares, an offer accepted by the Board of Directors of Richter.

Consolidated sales by main business segments



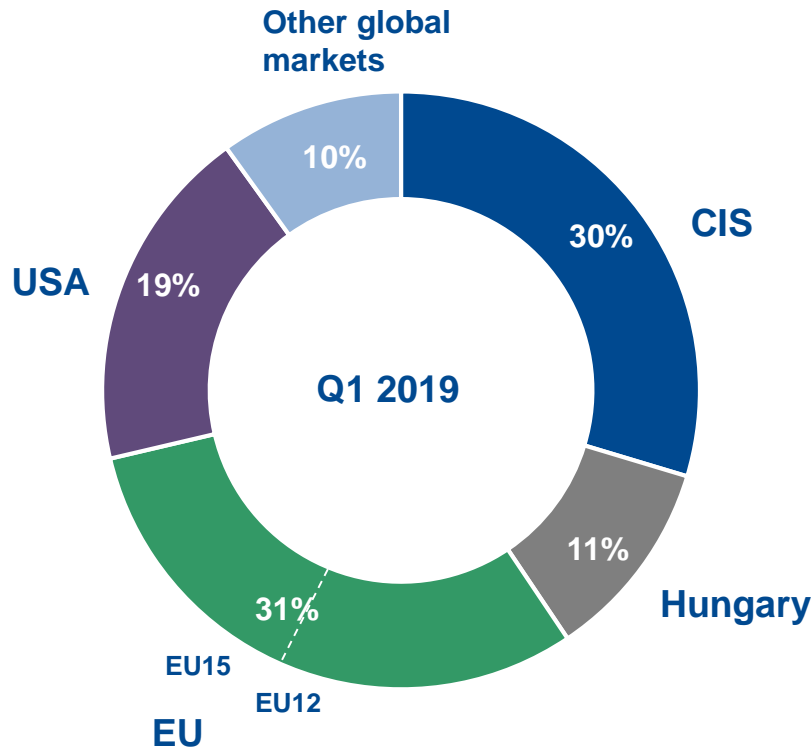
Revenue by strategic pillars



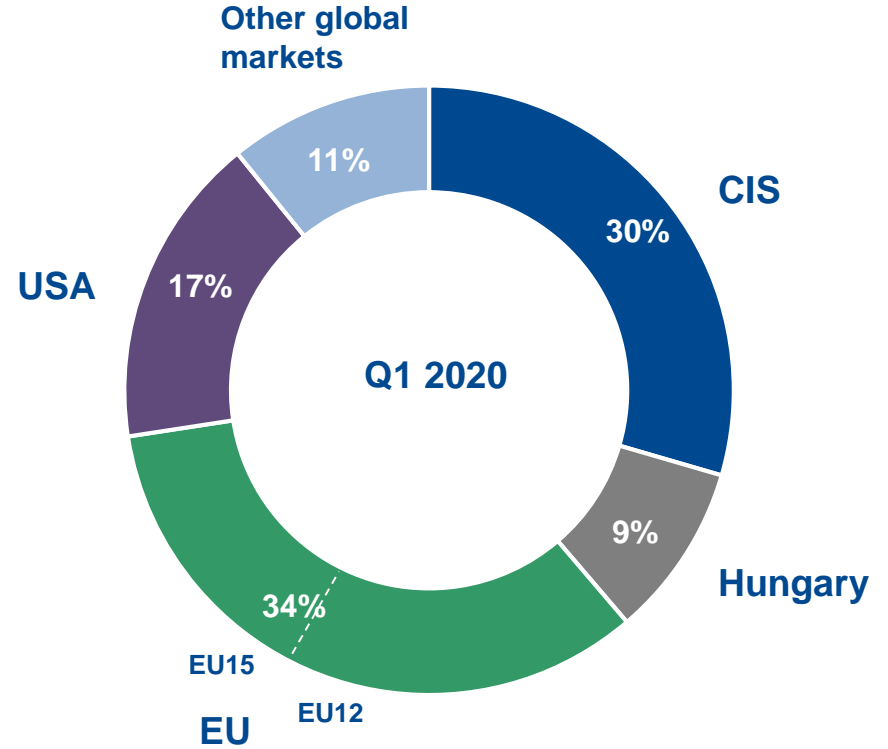
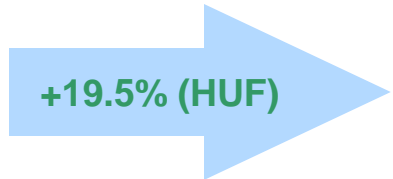
Key products

- **Cariprazine – CNS**
 - USA – ongoing phase III clinical trials – MDD adjunctive therapy
 - Reagila® – Russia: 01 January 2020 – Essential Drug List
- **Terrosa® – Biosimilars**
 - HUF 1,839m turnover (EUR 5.4m)
 - August 2019 – launch in Europe
 - November 2019 – launch in Japan in co-operation with Mochida
- **Bemfola® – WHC**
 - HUF 4,758m turnover; +15.3% (EUR 14.0m)
- **Esmya® – WHC**
 - March 2020 – another PRAC review procedure – suspension of sales of the product

Sales by geographies



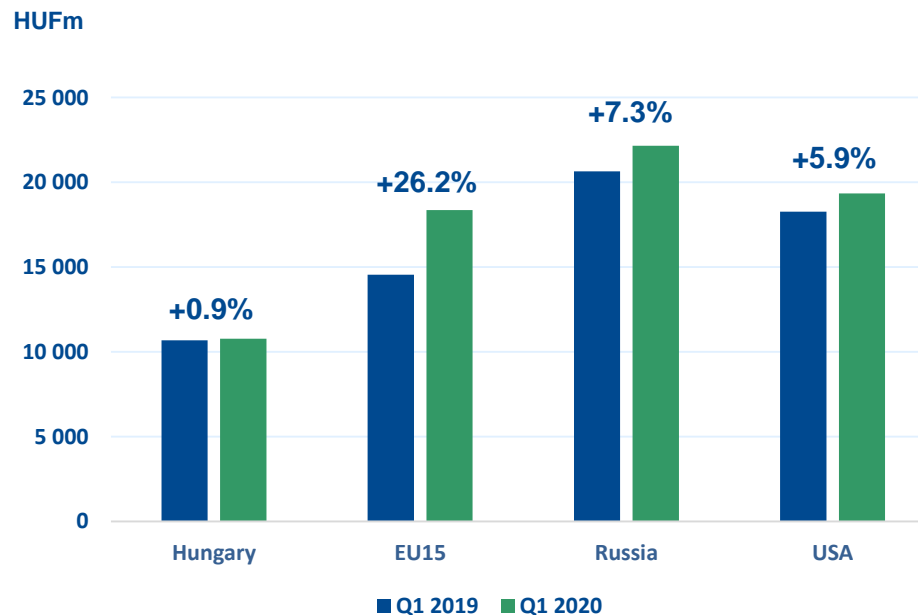
Total:
HUF 97.6bn



Total:
HUF 116.6bn

Sales by main regions

	Q1 2019 HUFm	Q1 2020 HUFm	Change HUFm
Hungary	10,680	10,781	101
EU15	14,556	18,367	3,811
Russia	20,646	22,157	1,511
USA	18,276	19,349	1,073



Strengths and challenges in key markets



- **USA**

- Significant increase in royalty income related to the sale of Vraylar[®]
- Higher API sales

- **EU15**

- Higher turnover of oral contraceptives and Bemfola[®]
- Increasing sales of Terrosa[®]

- **EU12**

- Significant forestalling ahead of lockdown

- **Russia**

- Purchasing power under pressure
- Carry-over effect of 2019 price cuts

- **China**

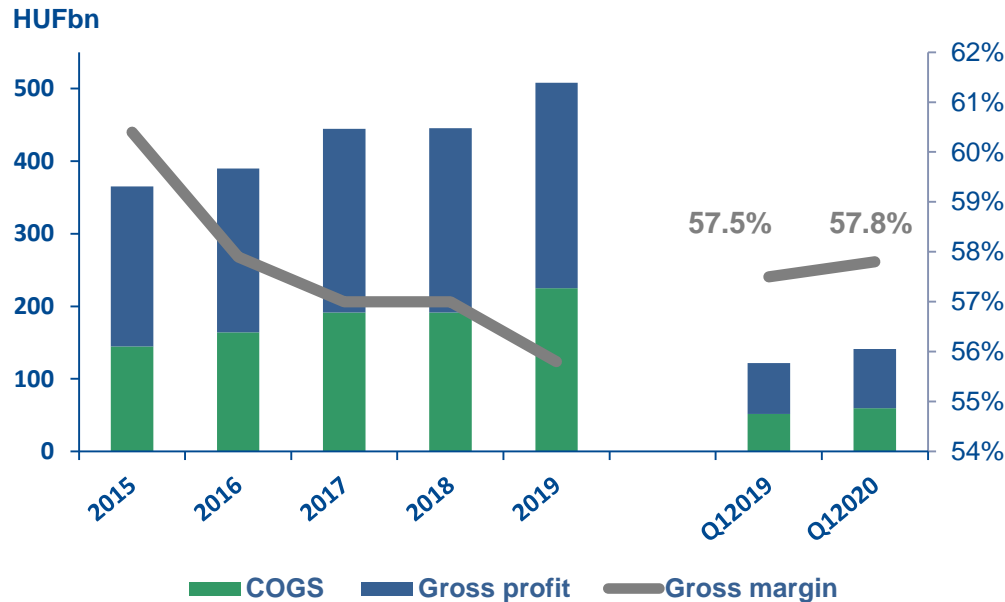
- Delisting of Cavinton with effect from 1 January 2020

Consolidated Financials – Highlights

	HUF	Change %	EUR	as % of total revenues
Total revenue	141.4bn	+16.3	415.8m	
Gross profit	81.7bn	+16.8	240.2m	57.8
Profit from operations	25.2bn	+46.5	74.1m	17.8
Profit for the period*	29.0bn	+31.7	85.3m	20.5
EPS (diluted)	156	+32.2	0.46	

*Net income attributable to owners of the parent.

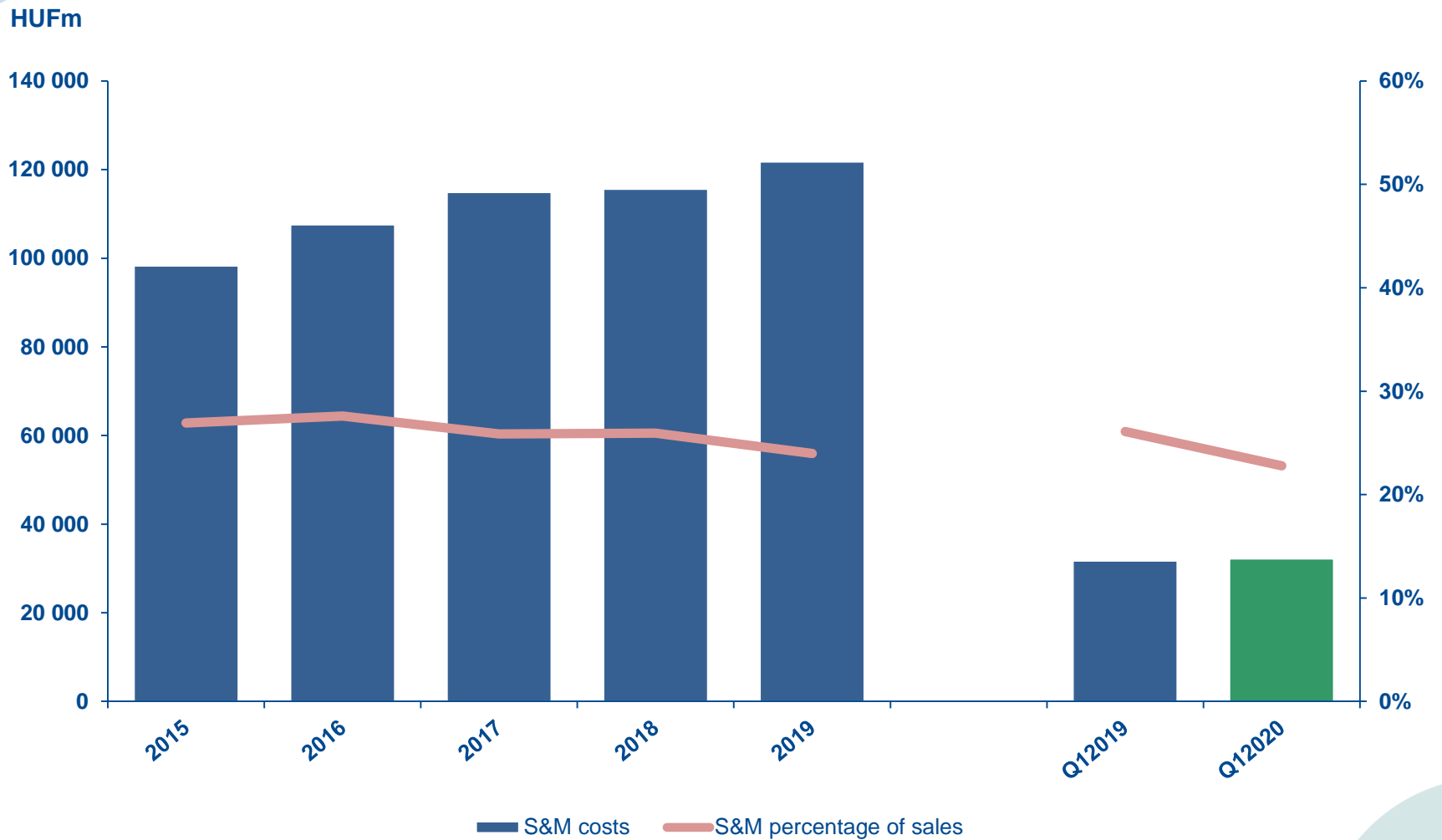
Increasing gross profit



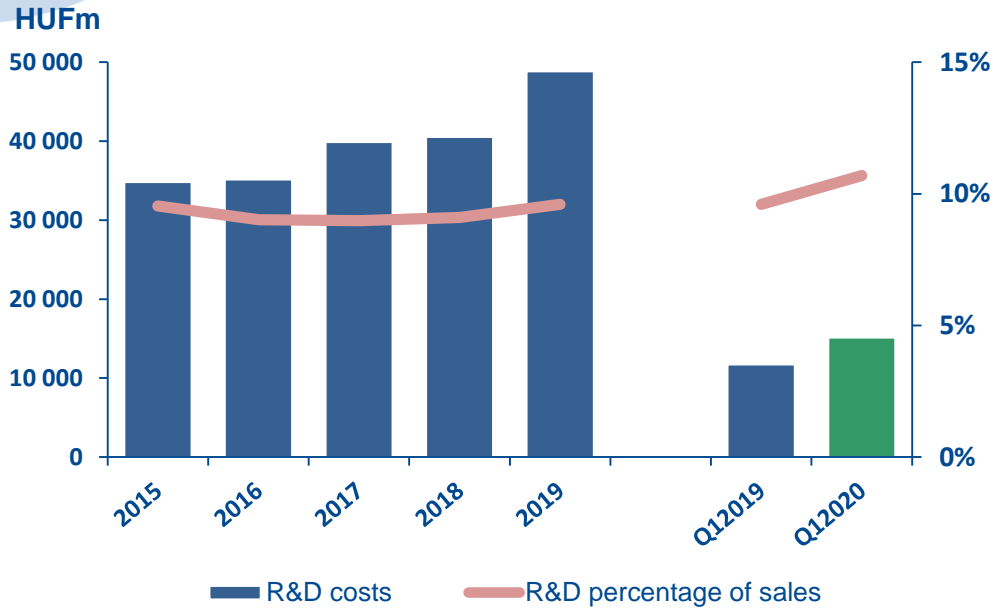
- + Increasing share of the turnover of higher margin oral contraceptives, emergency contraceptives and Bemfola[®]
- + Increasing demand for our branded generic products (Groprinosin – pandemic related forestalling)
- + Favourable FX environment
- Decline in sales of some of our traditional products
- Wage pressure / Price erosion

	Q1 2019	Q1 2020
Pharmaceuticals	68.7%	67.9%
Wholesale and retail	10.2%	11.3%

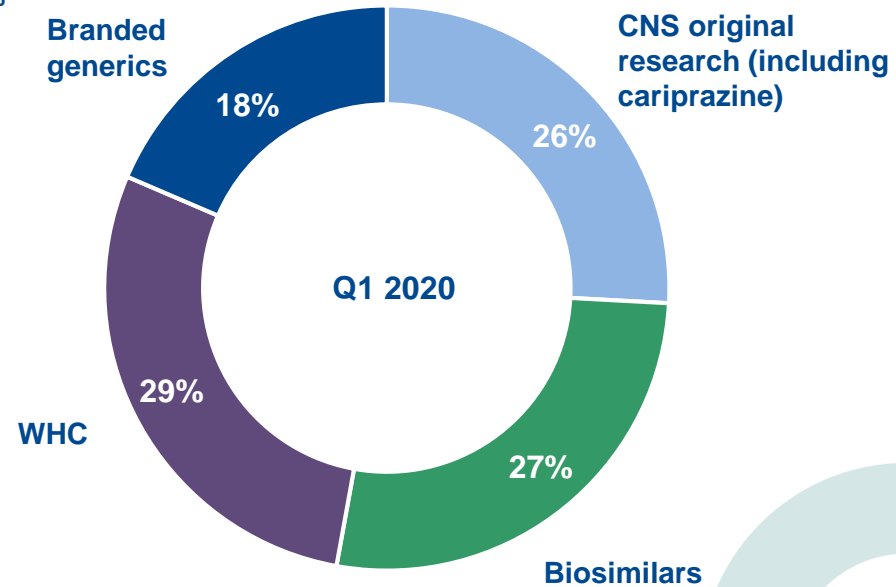
S&M costs



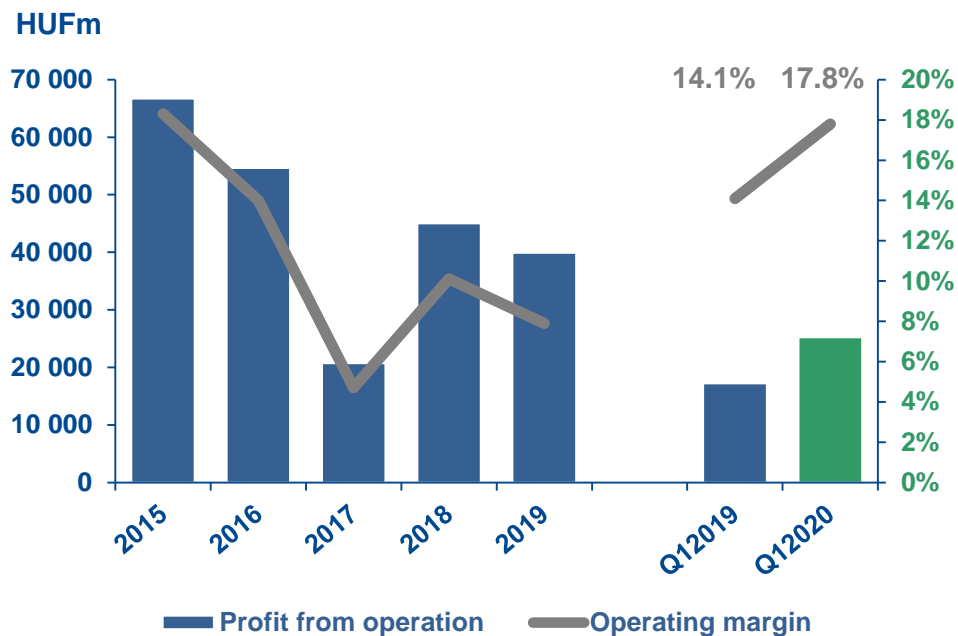
R&D costs



Split of R&D spending



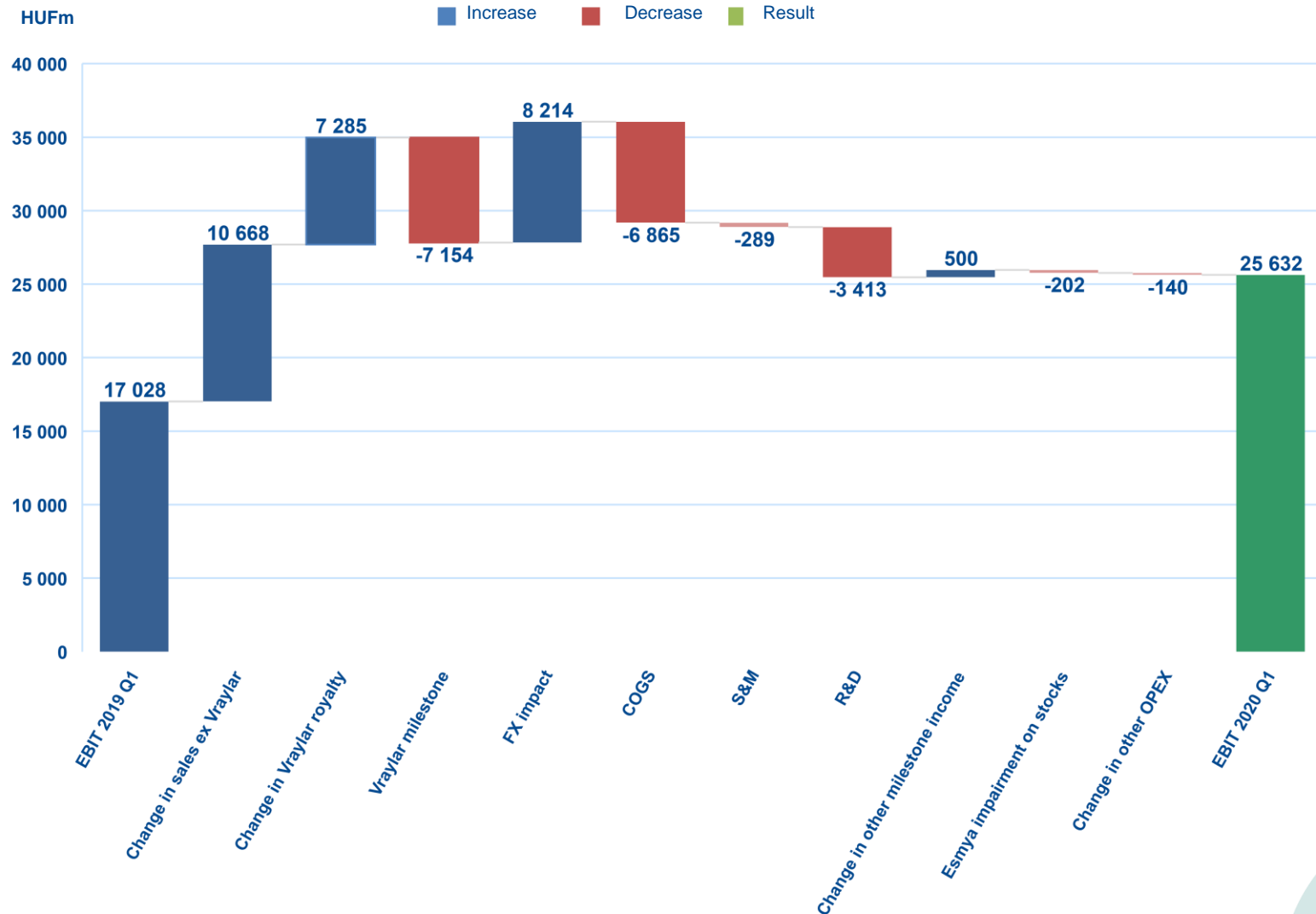
Increasing operating profit and margin



- + Significant increase of sales in the pharmaceutical segment
- + Increase of gross profit

	Q1 2019	Q1 2020
Pharmaceuticals	17.5%	22.0%
Wholesale and retail	0.1%	1.4%

Factors impacting pharma segment operating profit





GEDEON RICHTER