**GEDEON RICHTER PLC.**

# ANNUAL REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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# Gedeon Richter Plc

## Management Report

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# I. Chief Executive Officer's Letter to the Shareholders

I am proud to report that 2023 will again go down in Gedeon Richter's history as a successful year and one where we added further bricks to the already strong foundation that the company has built over the last 123 years. This foundation will allow our success to remain sustainable for the coming years, decades, and generations.

2023 was a strong year financially as we managed to surpass our initial targets, in some cases by a wide margin. In line with the ultimate mission of the company, we were also able to reach an ever-expanding number of patients with our medicines and treatments across the world and across all our business units. This was a rewarding year for our shareholders, who enjoyed a significant increase in dividends and also benefited from share price appreciation. Last year was also remarkable from a business perspective, as each of our four businesses achieved critical milestones in our journey towards our vision to become a leading European mid-cap pharma company by the end of the decade.

No year goes without challenges, however, and 2023 was no different. Wars, epidemics, climate change, inflation, currency fluctuations and unfortunately the list rarely gets shorter. Our patients faced challenges on a daily basis. Challenges that our employees and communities have to tackle are more than evident in every corner of the world. In Richter, we are inspired to create solutions, to make ourselves and our company better and to make a difference for the better in the lives of all of our stakeholders.

**Robust financial delivery, major operational progress**

Pharmaceutical revenues reached HUF 747bn (or nearly EUR 2bn) in 2023, a new all-time high for the company, despite a significant headwind from adverse currency changes. Our Clean EBIT jumped to HUF 235bn (or EUR 616mn), 15 percent higher year-on-year and if adjusted for currency, this increase would have been significantly higher, a truly outstanding achievement. This impressive growth in our underlying business was offset by FX losses on the back of adverse currency movements, hence our net profit was HUF 159bn, around flat compared to the previous year.

All four business units had their fair share of growth and achieved double-digit revenue increases when adjusted for currency movements. VRAYLAR® continued to impress in 2023, as the product's net sales exceeded USD 2.7bn, an increase of 35 percent, and this formed the basis for the higher royalty payments Richter received. The Women's Healthcare business saw a strong double-digit sales increase on the back of the ramp up of revenues generated by new, innovative medicines. Biotechnology revenues also achieved double-digit volume growth, as both Terrosa sales and our CDMO revenues continued to expand. General Medicines were the most exposed to currency movements and therefore despite impressive volumes growth and some positive price effect, reported revenues were only marginally higher YoY.

**All-time high number of patients served and medicines produced**

Financial growth alone is not a sufficient measure of success. We were pleased to see that the number of patients who were treated by our medicines rose further in 2023, as all four business units achieved material volume growth. The number of patients who receive help through Vraylar® since its launch now exceed 1 million. Women are receiving treatment globally through an ever-widening Richter product portfolio, and 2023 saw further important developments through partnership agreements as well as a label expansion for endometriosis at one of our key medicines, Ryeqo®. Our teriparatide sales continued to reflect improved patient access. As part of its drive to expand in novel oral anticoagulants (NOAC), our GenMed unit successfully launched Telexer (dabigatran), the first generic product for this condition in Central Europe. This impressive growth was supported by our vertically integrated manufacturing platform, as we produced a record high number of 304.5mn units of packaged boxes, 17.7% higher than a year ago.

**Contributing to the fight against climate change**

Events witnessed on planet Earth in the last few years have probably convinced most sceptics that climate change is something a responsible person or organization not only needs to consider but must act to fight against. Our industry may not be among the largest polluters, yet as a company with manufacturing operations, we do consume energy and have emissions, therefore we have a responsibility to eliminate these as much and as fast as we can. On the one hand, I am satisfied that Richter managed to cut energy consumption by 7% in 2023 and 21% over the last three years in Hungary. GHG emissions declined by 8% in Hungary and also by 2% at the Group level in 2023. We are well on track to meet our 2030 commitment, fully aligned with the EU's Fit for 55 programs. On the other hand, we cannot and will not stop here. We are fully embracing the challenge of becoming a 'Net zero' company by 2050.

**Building for the future, managing the patent cliff**

There is not a week passing by in Richter when executive management would not discuss the post-2030 strategic future of the company. Everything we do now serves the purpose of building a future-proof company that can successfully tackle even a major patent expiry event such as that we are facing after 2029. All four business units have clear growth targets and an ambitious leadership that will allow us to grow much stronger in the next 5 years. However, we also understand that three crucial ingredients will be absolutely necessary to be able to achieve our targets: dedicated people, an efficient organization and mutually rewarding partnerships.

**Everything starts with People**

This is the time of the year when we have to repeatedly express our gratitude to our employees, to the 11,000+ strong Richter family. Clearly, no corporate success is feasible without people. We, at Richter, are very lucky to have very high quality, dedicated people, who excel in their daily activities to the benefit of our patients and our company. We are also aware that no organization can prosper without the prosperity of its people. We recognize and appreciate the talent, the expertise and the dedication of our workforce in the 35+ countries that we operate. We also recognize the need to invest in human capital with talent development and retention and succession planning having been in special focus in 2023. Diversity and inclusion are corporate values which are indispensable for an internationally recognized, successful company. Diversity initiatives are now becoming part of our everyday life, as we actively promote inter-generational cooperation and knowledge sharing and strive to increase women participation among our talents and managers.

**A new organization in place, efficiency programs in the making**

We started to reshape our organization a couple of years ago and now have a clear operational structure with four core business units. These business units are supported by three overarching horizontal platforms: R&D, manufacturing and sales. While the structure appears to be ready, we have to work hard to make them as efficient as possible. This work has already started, and reaping the benefits of these efficiency projects in terms of cost savings and speed will be a major focus over the coming years to lead us to the required level of operational excellence. No part of the organization will be left out from our drive to operate as efficiently as a leading mid-pharma company is expected to.

**No success without valuable partners**

We have learnt during the last few decades that we can only be successful globally if we build and nurture partnerships. Let it be licensing or marketing agreements, joint research and/or development programs, or acquisitions of products, portfolios or even companies, Richter has managed to forge close ties with a number of reputable partners across several geographies. Vraylar® would not exist as it is today without a strong partnership, nor would Richter be the second most important player in European women's healthcare. Partners and partnerships have played a crucial role in enabling Richter to successfully grow beyond the borders of its home country, the region or even Europe. And we believe partnerships will be key to our success in the coming years also.

**Outlook**

We look forward to 2024 with a healthy dose of excitement and curiosity and a very high level of energy, commitment and enthusiasm. We believe our strong sense of purpose will be guiding us through the upcoming challenges and we will continue to act in the best interest of our patients, employees, communities, and our shareholders in the coming year.

# II. Chairman's Letter

In 2023 the new operational structure of Gedeon Richter continued to develop towards its goal of excellence. While in the framework of a matrix organisation four business units were created, our principal strategic focus remained on pursuing innovation in our Neuropsychiatry research, further developing our core Women's Healthcare business, facilitating the regulatory and market launch activities at our Biotechnology unit and revitalizing the General Medicines franchise with reinforced product development and licensing-in activities. I am proud to inform that all the above underlying businesses contributed positively to the reported good results, notwithstanding such negative impacts as exchange rates and extraordinary taxation.

Richter navigated well through the stormy waters of 2023 in the shadow of increasing geopolitical uncertainties, wars and major conflicts threatening supply chains on a global level. On behalf of the Board of Directors I would like to extend my sincere appreciation to all our inspired employees who through dedication and tireless efforts provided solutions and delivered world class medicines and healthcare products to patients throughout the world.

Finally, after having served Richter in various positions both in Hungary and abroad and on my retirement as Chairman of the Board of Directors I should like to take this opportunity to thank my colleagues throughout the Group and the Board of Directors for their sustained fellowship and support throughout my executive life at Richter.

It is with great delight that I accepted the title of Lifetime Honorary Chairman of Gedeon Richter I was recently granted by the Board of Directors and I am looking forward, as a director, to support our incoming Chairman, Prof Dr. E. Szilveszter Vizi.

I am also grateful to all of you, dear shareholders, for the confidence you have expressed over the past more than three decades.

Erik Bogsch

Lifetime Honorary Chairman.

# III. Corporate Review

## 1. Fact Sheet

Richter Group is active in two major business segments, primarily Pharmaceuticals comprising the research and development, manufacturing, sales and marketing of pharmaceutical products, and it is also engaged in the Wholesale and Retail of these products. In addition, there is a third group ('Other') of companies comprising those members of the Group that provide auxiliary services to the former segments.

Research, development, manufacturing and marketing of pharmaceutical products are the core activities of Richter and in this endeavour the Group is supported by a number of subsidiaries, joint ventures and associated companies. Manufacturing subsidiaries of the Group, which operate in traditional markets together with a broad network of trading affiliates that ensure a strong market presence, have together created the foundation for regional leadership and a global presence in the specialty area of Women's Healthcare.

### 1.1. Parent Company Data

| | | |
|---|---|---|
| Headquarters | 1103 Budapest, Gyömrői út 19-21., Hungary | |
| Mail address | 1475 Budapest, Pf. 27., Hungary | |
| Phone | +36 1 431 4000 | |
| Fax | +36 1 260 4891 | |
| E-mail | posta@richter.hu | |
| Website | www.gedeonrichter.com | |
| Established | 1901 | |
| Main activity | Research, development, manufacturing and marketing of pharmaceutical products | |
| VAT Number | 10484878-2-44 | |
| EU VAT Number | HU10484878 | |
| Share capital | HUF 18,637,486,000 | |
| Number of shares issued | 186,374,860 | |
| Auditor | Deloitte Auditing and Consulting Ltd. | |
| Shares listed at | Budapest Stock Exchange | ISIN: HU0000123096 |
| | Luxembourg Stock Exchange | ISIN: US3684672054 |
| GDRs issued by | BNY Mellon | |
| GDR / Ordinary share ratio | 1:1 | |

# 2. Member Companies of the Group and Branches of the Parent Company

## 2.1. Members of the Group

Richter Group companies are classified into the following six categories:

- Richter's headquarters in Hungary, parent company of the Group (including the Budapest, Dorog and Debrecen sites): undertaking research and development, production, sourcing, logistics and coordination of Group level sales.
- Pharmaceutical subsidiaries and joint venture companies: Richter Group has manufacturing facilities in Poland, Romania, Russia, India and Germany. Drugs manufactured in these facilities are marketed globally.
- Trading subsidiaries and offices undertake and support trading and marketing duties in local markets on behalf of the parent company and other Group's companies.
- Wholesale and retail companies: active in wholesale and retail receiving marketing support from the parent company or the trading subsidiaries.
- Service companies: established to support R&D, manufacturing, logistics, administrative and other business processes.
- Other units: dormant companies and establishments not directly related to Richter Group's core business.

The members of the Richter Group and the changes related to them are disclosed in Note 15 and 31 of the Group's IFRS Consolidated Financial Statements.

## 2.2. Domestic Branches of the Parent Company

Hungary, 2510 Dorog, Esztergomi út 27.

Hungary, 4031 Debrecen, Richter Gedeon utca 20.

Hungary, 4031 Debrecen, Kígyóhagyma utca 8.

Hungary, 6720 Szeged, Eötvös utca 6.

Hungary, 7673 Kővágószőlős, 505/2 hrsz.

Moldova, 2005 Chisinau, str. Alexandr Puskin 47/1, bloc „A", oficiul 1.

# 3. Financial Highlights

## 3.1. Consolidated Financial Highlights

| | 2023 HUFm | 2022 HUFm | Change % | 2023 EURm | 2022 EURm |
|---|---|---|---|---|---|
| Total revenues | 805,158 | 802,755 | 0.3 | 2,107.9 | 2,039.1 |
| Profit from operations | 189,364 | 153,555 | 23.3 | 495.7 | 390.1 |
| Profit for the year(1) | 160,651 | 170,750(4) | -5.9 | 420.6 | 433.7(4) |

| | 2023 HUF | 2022 HUF | Change % | 2023 EUR | 2022 EUR |
|---|---|---|---|---|---|
| Earnings per share (EPS)(2) | 860 | 907(4) | -5.2 | 2.25 | 2.30(4) |
| Dividends per ordinary shares(3) | n.a. | 390 | n.a. | n.a. | 0.99 |

| | 2023 | 2022 | Change |
|---|---|---|---|
| Number of employees at the end of the period | 11,603 | 12,167 | -564 |

Notes:
(1) Includes minority interest.
(2) EPS calculations based on the total number of shares issued.
(3) At the time of the approval of the Annual Report, no dividend has been proposed and will be proposed by the Board of Directors at a later date.
(4) Restated, for details see Appendix 1 on page 89

## 3.2. Market Capitalisation (HUF, EUR)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **HUFbn** | 1,631 | 1,547 | 1,626 | 1,387 | 1,196 | 1,012 | 1,264 | 1,157 | 1,025 | 659 |
| **EURbm** | 4.3 | 3.9 | 4.4 | 3.8 | 3.6 | 3.1 | 4.1 | 3.7 | 3.3 | 2.1 |

## 3.3. Richter Share Price Information

| | Date | HUF |
|---|---|---|
| Opening price | 02.01.2023 | 8,135 |
| Closing price | 29.12.2023 | 8,750 |
| Change (%) | | 7.6 |
| Annual minimum value | March 2023 | 7,235 |
| Annual maximum value | September 2023 | 9,405 |

# 4. Business Model and the Business Units of Richter

With its global business comprising five continents, Richter Group is unique among Central Eastern European pharma companies as its core activities of research and development, manufacturing and marketing of pharmaceutical products are supported by a number of subsidiaries, joint ventures and associated companies. The Group's manufacturing subsidiaries, which operate in our traditional markets, together with our establishment and continuous expansion of a specialized marketing network have created the foundation for a strong multinational Group. As a result of developments that started in the early 1990s, today a number of marketing and service companies support the presence and activity of the Richter Group and strengthen its market positions in a number of countries around the world.

## 4.1. Brief Review of Richter's Business Units

Richter's Management defined new strategic guidelines for the Company in 2010. While reaffirming the previously outlined strategic direction, new action plans have been determined in 2018 and consequently, six strategic pillars have been identified. These strategic pillars were reorganised into four Business Units, and new heads appointed with complete P&L responsibility. The reporting structure was also realigned to reflect these changes. The business units are as follows:

- Neuropsychiatry (CNS)
- Women's Healthcare (WHC)
- Biotechnology (BIO)
- General Medicines (GM)

A detailed presentation of each of the above business units can be found in Chapter III Strategic Review of this Management Report.

# 5. Corporate Governance

## 5.1. Corporate Governance

Subject to the company law regulations and requirements under Hungarian law, Gedeon Richter Plc. is primarily and obligatorily entitled to establish a responsible corporate governance system exclusively for Gedeon Richter Plc. that is, the parent company. The corporate governance of each company and subsidiary within the Richter Group (management, internal governance, division of powers and responsibilities, etc.) is developed in accordance with the characteristics and expectations of company law under the national legal system governing the given company or subsidiary. Both Gedeon Richter Plc. and the Richter Group follow and adhere to the general principles of responsible corporate governance, such as full compliance with the relevant legal environment, regulatory requirements and the requirements of ethical business conduct. Beyond these general principles, Gedeon Richter Plc. follows the Corporate Governance Recommendations of the Budapest Stock Exchange.

Corporate Governance systems and practices implemented by the Company are in accordance both with the Corporate Governance Recommendations set by the Budapest Stock Exchange, the directives of the capital market, the provisions of the Civil Code, the Company's Statutes and with Gedeon Richter Plc's characteristics arising from its line of industry and its structure. In addition, the Company reviews from time to time the principles applied on an ongoing basis, in order to appropriately control both the Company's and the Group's operation in compliance with continuously developing international practices. In this respect, the Company also considers ESG requirements, which exercise influence on the judgement of corporate governance systems by capital market participants. From the Company's corporate governance system, the matters relating to the sphere of corporate governance and to what extent the Company applies the Corporate Governance Recommendations set by the Budapest Stock Exchange, the Company provides information in the annually prepared Corporate Governance Report. The Corporate Governance Report is deliberated on and approved by the AGM as a separate agenda item, and it is published on the website of the Budapest Stock Exchange (www.bet.hu) as well as on the Company website (www.gedeonrichter.com).

In the course of 2023, Gedeon Richter Plc. did only minimally depart from the Corporate Governance Recommendations in connection with its characteristics arising from its line of industry and its structure.

Gedeon Richter's key principles of Corporate Governance are to create and maintain satisfactory dialogue with shareholders so as to enhance shareholder value, to differentiate the roles and responsibilities of the General Meeting, the Board of Directors, the Executive Board and the Supervisory Board, and to operate the Richter Group's business in compliance with legal and regulatory requirements and to maintain the highest ethical standards.



## 5.2. Corporate Governance – Systems and Practices

The Annual General Meeting ranks as the highest decision-making body of the Company and comprises all shareholders. The Annual General Meeting decides on the adoption of the annual financial statements and the appropriation of profit, the election or removal of members of the Board of Directors, Supervisory Board and Audit Board, the appointment of the statutory auditor, amendments to the Statutes, changes in the Company's share capital and other issues in its competence. With the exception of cases where the presence of a larger number of shareholders is required in order to constitute a quorum, a quorum of the General Meeting exists if shareholders, personally or through their representatives, representing over half of the votes embodied by voting shares are present at the General Meeting and have duly evidenced their shareholder representative status. If the General Meeting has no quorum, the General Meeting is required to be reconvened. With the exception of cases where under given circumstances the presence of a larger number of shareholders is required in order to constitute a quorum, the reconvened General Meeting shall have a quorum for the purpose of considering items on the agenda of the original General Meeting if shareholders representing more than 20 percent of the votes relating to the voting shares issued by the Company are present personally or via proxy at the reconvened General Meeting and their shareholding or representation right has been duly evidenced.

The Board of Directors is the ultimate decision-making body of the Company except with respect to those matters reserved for shareholders. The majority of Directors of the Board are Non-Executive Directors with the aim to express an opinion during the Board meetings that is independent of the Executive Board, and to give an impartial judgment on its decisions. The Board meets regularly, throughout the year. According to the Statutes, it has a formal schedule of matters reserved to it for decisions. The Board works to an agreed agenda in reviewing the key activities of the business and the Company's long-term strategy. The Chairman of the Board of Directors shall be elected from among the members of the Board of Directors by the members of the Board of Directors. The Company Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Board members are elected and re-elected at the AGM for a maximum term of 5 years.

The Corporate Governance and Nomination Subcommittee and the Remuneration Subcommittee of the Board of Directors – both of which have existed since 2004 – prepare and submit proposals contributing to the Board's decision-making process on their related fields.

The Board of Directors with respect to the strengthening role of ESG requirements both on the national and international capital markets in the last few years, also set up an ESG Subcommittee in December 2021.

The subcommittees each consist of at least three members the majority of whom are non-executive independent Board directors.

The Corporate Governance and Nomination Subcommittee makes proposals to the Board of Directors on the number and composition of the Board of Directors and the Supervisory Board in accordance with the needs as they arise, and makes proposals on the requirements of independence, qualification and professional experience of proposed candidates. Furthermore, the Subcommittee prepares for decisions of the Board of Directors on candidates for the Board of Directors and the Supervisory Board by recommending suitable candidates and by evaluating candidates proposed by the shareholders' representatives; monitors the implementation of the approved principles of corporate governance, prepares annual reports to the Board of Directors and proposes necessary changes and additions to them.

The Compensation Subcommittee evaluates experiences related to the remuneration system of members of the Board of Directors and the Supervisory Board and makes proposals as to its amendment taking into consideration the relevant effective legal regulations. The responsibility of the Compensation Subcommittee also includes making proposals to the Board of Directors on the evaluation of the performance of the Chief Executive Officer and his performance and giving an opinion on the Company's Remuneration policy and Remuneration report before these documents are discussed by the Board of Directors.

The ESG Subcommittee is responsible for monitoring the ESG requirements of the national and international capital markets, the changes in these requirements, and furthermore with respect to the Company's industrial and structural characteristics to initiate motions to the Board of Directors to assure that the Company complies with its ESG requirements.

Overseeing the management of the Company is the Supervisory Board. It meets regularly during the year in accordance with legal requirements and at other times when necessary to consider details of the Company's operating activities. It submits proposals to the Board of Directors and discusses the Company's strategy, financial results, investment policy and systems of internal audit and control. The Supervisory Board is provided with regular and detailed information about the management of the Company. The Chairman of the Supervisory Board may attend meetings of the Board of Directors as an advisor. The members of the Supervisory Board are elected or re-elected from time to time at the AGM for a maximum term of 3 years.

The Audit Board is responsible for the oversight of the Company's internal accounting standards. The Board consists of three independent members of the Supervisory Board who are elected by the AGM. The Chairman of the Audit Board is appointed by the Supervisory Board. The Audit Board members as a whole shall have competence relevant to the sector in which the Company is operating. At least one member of the Audit Board shall have a professional certificate in accounting or auditing.

The Audit Board is responsible for the supervision of the Company's internal accounting rules. Furthermore, among others, observing the enforcement of the professional, conflict of interest and independency requirements applicable to the statutory auditor and monitoring of other services provided by the statutory auditor to the Company or the companies controlled by the Company, besides the auditing of consolidated and individual annual reports, belong in the scope of competences and tasks of the Audit Board.

# 6. Company's Boards

**Board of Directors***

| Name | Position | State of independence** | Current term of mandate |
|---|---|---|---|
| Erik Bogsch | chairman | dependent | 25/04/2023-30/04/2028 |
| Dr Nándor Pál Ács | member | independent | 15/04/2021-30/04/2024 |
| Gabriella Balogh | member | independent | 25/04/2023-30/04/2026 |
| Dr Péter Cserháti | member | independent | 25/04/2023-30/04/2027 |
| István Hamecz | member, CFO | dependent | 12/04/2022-30/04/2025 |
| Lászlóné Németh | member | independent | 25/04/2023-30/04/2026 |
| Gábor Orbán | member, CEO | dependent | 25/04/2023-30/04/2028 |
| Dr Anett Pandurics | member | independent | 15/04/2021-30/04/2024 |
| Dr Ilona Hardy Dr Pintérné | member | independent | 25/04/2023-30/04/2027 |
| Balázs Szepesi | member | independent | 25/04/2023-30/04/2026 |
| Bálint Szécsényi | member | independent | 15/04/2021- 30/04/2024 |
| Prof Dr E. Szilveszter Vizi | member | independent | 25/04/2023-30/04/2027 |
| Number of Board members | | | 12 |
| Number and proportion of independent members within the Board | | | 9 (75.00%) |

Notes:
* For a more detailed CV of the members of the Board of Directors, please visit the Company's website.
** Independence in the Company's Board of Directors as of 31st December 2023.

**Proportion of Men and Women in the Board of Directors***

| | person | proportion (%) |
|---|---|---|
| Total number of Board members | 12 | |
| Female | 4 | ≈ 33.33% |
| Male | 8 | ≈ 66.66% |
| | | |
| Number of non-executive members | 9 | |
| Female | 4 | ≈ 44.44% |
| Male | 5 | ≈ 55.55% |

Note: * Proportion of Men and Women in the Company's Board of Directors as of 31st December 2023.

**Supervisory Board***

| Name | Position | State of independence** | Current term of mandate |
|---|---|---|---|
| Dr Attila Chikán | chairman | independent | 15/04/2021-30/04/2024 |
| Prof Dr Jonathán Róbert Bedros | member | independent | 15/04/2021-30/04/2024 |
| Dr Lívia Pavlik | member | independent | 15/04/2021-30/04/2024 |
| Dr Zoltán Matos | member | independent | 15/04/2021-30/04/2024 |
| Dr Krisztina Gál | member, employee representative | dependent | 15/04/2021-30/04/2024 |
| Ferenc Sallai | member, employee representative | dependent | 25/04/2023-30/04/2024 |
| Number of Board members | | | 6 |
| Number and proportion of independent members within the Board | | | 4 (66.66%) |

Notes:
* For a more detailed CV of the members of the Supervisory Board, please visit the Company's website.
** Independence in the Company's Supervisory Board as of 31st December 2023.

**Proportion of Men and Women in the Supervisory Board***

| | person | proportion (%) |
|---|---|---|
| Total number of Board members | 6 | |
| Female | 2 | ≈ 33.33% |
| Male | 4 | ≈ 66.66% |
| Number of non-executive members | 2 | |
| Female | 1 | 50.00% |
| Male | 1 | 50.00% |

Note: * Proportion of Men and Women in the Company's Supervisory Board as of 31st December 2023.

**Executive Board***

| Name | Position |
|---|---|
| Gábor Orbán | CEO |
| Katalin Erdei | HR Director |
| Dr István Greiner | R&D Director |
| István Hamecz | CFO |
| Tibor Horváth | Commercial Director |
| Attila Szénási | Director of Pharmaceutical manufacturing |
| Tamás Szolyák | Director of Global Regulatory Science & Portfolio Management |

Note: * For a more detailed CV of the members of the Executive Board, please visit the Company's website.

## Changes to the Boards During 2023

**Board of Directors**

On 27 February 2023, with the effect of the same day, **Ms Ilona Dávid** and **Dr László Szabó** resigned from their memberships in the Company's Board of Directors.

On 25 April 2023, the Annual General Meeting of the Company approved:

- the re-election of **Mr Erik Bogsch** and **Mr Gábor Orbán** as members of the Board of Directors for a five-year period until the 2028 AGM.
- the re-election of **dr Ilona Hardy dr Pintérné, Prof Dr Szilveszter E. Vizi** and **Dr Péter Cserháti** as members of the Board of Directors for a four-year period until the 2027 AGM.
- the election of **Ms Gabriella Balogh, Mrs Lászlóné Németh** and **Mr Balázs Szepesi** as members of the Board of Directors for a three-year period until the 2026 AGM.

**Supervisory Board**

With respect to the termination of his employment relationship, **Mr Péter Müller** employee representative resigned from his membership in the Company's Supervisory Board with the effect of March 8, 2023.

On April 25, 2023, the Annual General Meeting of the Company approved the election of **Mr Ferenc Sallai** employee representative as member of the Supervisory Board for a one-year period until the 2024 AGM.

# IV. Investor Information

## 1. Investor Relations

The Company reports formally to shareholders four times a year, simultaneously with the announcement of its quarterly non-audited results, and issues audited Financial Statements whose relevant data are included in an Annual Report published, no later than the date of the Annual General Meeting. The AGM of the Company takes place in Budapest and formal notification is sent to shareholders at least 30 days in advance of the meeting. At the Meeting a business presentation is made to shareholders by the CEO and all Directors are available during the meeting to respond to questions.

Management, principally the CEO and investor relations staff, maintain a dialogue with institutional shareholders on Company performance and objectives through a programme of conferences, regular meetings, conference calls and investor roadshows.

The Company's bilingual, English and Hungarian website (www.gedeonrichter.com) includes an area which is intended to meet the specific stated needs of investors and analysts concerning information on Richter's business operations.

The Company's Investor Relations Department at its office in Budapest continues to act as a focal point for contact with institutional shareholders (Email: investor.relations@richter.hu).

## 2. Conferences, Roadshows, Analysts

Representatives of the Investor Relations Department of Gedeon Richter Plc. participated at 4 international conferences and 2 additional investor roadshows in 2023. Besides regular conference calls following publication of the quarterly reports of the Company 44 additional conference calls were organised on request during the year.

### Conferences and Investor Roadshows in 2023

| | | |
|---|---|---|
| **Conferences** | | |
| Concorde Hungarian Investor Day | Budapest | 13 April 2023 |
| Erste CEElection Investor | Vienna | 9 -11 October 2023 |
| Jefferies Healthcare | London | 14-16 November 2023 |
| WOOD Winter Wonderland EMEA | Prague | 6 December 2023 |
| **Investor Roadshows** | | |
| London | | 18-19 September 2023 |
| Boston - New York | | 18 – 20 October 2023 |

### Analysts Providing Regular Coverage about Richter in 2023

| | |
|---|---|
| Berenberg Bank | Ms Victoria Lambert |
| Concorde Securities Ltd. | Mr Attila Vágó |
| Equilor Investment Ltd. | Mr Balázs Sághy |
| Erste Group Bank AG | Ms Vladimíra Urbánková |
| Jefferies International Ltd. | Mr James Vane-Tempest |
| KBC Securities Hungarian Branch Office | Mr Norbert Cinkotai |
| PKO Bank Polski | Mr Dawid Górzyński |
| Wood & Company Financial Services, a.s. | Mr Bram Buring |

# 3. Annual General Meeting

The Annual General Meeting is the highest decision-making body of the Company, comprising all shareholders. In 2024 the Annual General Meeting is expected to take place at **14.00 on 25 April at Budapest 1093, Mátyás utca 8.**

# 4. Cash Management

## 4.1. Cash Allocation

A significant amount of royalties received in respect of VRAYLAR® USA turnover made necessary the elaboration of a more finetuned cash allocation policy than in earlier years.

The Company divides the utilization of its free cash among three major areas:

- Mergers and Acquisitions (M&A)

  Our inorganic investments target further expansion of the existing women's healthcare (WHC) and general medicines (GM) portfolio. For WHC any acquisition taken into consideration may target either the well served therapeutic areas by introducing more advanced treatments like in the case of contraception or it may facilitate products on less medicated areas like fertility, endometriosis, uterine fibroids, osteoporosis or postmenopausal Hormone Replacement Therapy (HRT). For GM the company is looking for OTC/ RX opportunities that will enable the Business Unit to reach its sales and profitability ambitions. The acquisition of biological products serving these areas cannot be excluded, as these can represent a good fit with Richter's biologics development and manufacturing capabilities.

  In December 2022 Richter announced that it had signed a Binding Term Sheet with Mithra for the commercialisation of DONESTA®, an estetrol-based product candidate for HRT in postmenopausal women. The agreement was finalised in February 2023. In the same month the Company acquired 100 percent control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. In July 2023 Richter acquired 100 percent control of Giskit MD B.V. together with the ownership and patent rights of EXEM FOAM® and GISKIT globally, excluding the US, China and South Korea. Both Women's Health Care products are used in more patient-friendly ultrasound examinations. Following the end of the reported year, in January 2024 Richter announced that based on an already established trustful collaboration between the parties it became a strategic investor in Germany based Formycon AG via a cash capital increase in the amount of 9.08 percent of Formycon's share capital. This transaction is expected to open up the possibility of jointly leveraging long-term strategic opportunities across development, manufacturing and commercial value streams.

- Maintenance CAPEX

  An annual amount of about HUF 30bn is dedicated to ensure a continuously high level of production as well as putting into operation any additional capacities which may become necessary.

- Shareholder remuneration

  - Dividend policy

    The previous practice of a 25 percent dividend payout was replaced from 2018 by a range as approved by the Board of Directors which allows for a flexible adaptation by dividend payout ratio based on the amount of free cash remaining after deducting expenditure dedicated to M&A and maintenance CAPEX.

- Share buyback programme

  On 4 April 2023, the Board of Directors of the Company, having considered shareholders' expectations, decided on a 12-month share buyback programme of up to a cumulative maximum amount of HUF 40 billion as part of shareholder remuneration in addition to the proposed dividend as previously announced. The decision was taken in accordance with the improving financial results and cash generation of the Company. The implementation of the share repurchase programme commenced on 6 April 2023, with the involvement of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt. as investment companies.

  Within the share repurchase program the Company has purchased with the cooperation of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt in the Budapest Stock Exchange 3,339,591 treasury shares at an average price of 8,719 HUF/share (average price excluding fees) by 31 December 2023.

  The number of treasury shares and shares transferred to ESOT were 3,601,971 on 31 December 2023. Treasury shares include shares owned by the Parent Company.

## 4.2. Dividend

In accordance with the dividend policy practised by the Company, the Board of Directors recommends the payment of Gedeon Richter Plc's consolidated profit attributable to owners of the parent calculated according to International Financial Reporting Standards (IFRS) for 2023.

Dividends as approved by the shareholders at the Annual General Meeting on 25 April 2023 totalled HUF 72,686m in respect of 2022. The portion payable in relation to ordinary shares with a face value of HUF 100 amounted to HUF 390 per share, 390 percent of the nominal share value.

Payout procedures as decided by the Board of Directors were published in an official announcement on 11 May 2023. The starting date for distributing dividend payments was 15 June 2023.



# 5. Information Regarding Richter Shares

## 5.1. Share Structure of the Company

There are no shares in issue that involve special control rights.

Gedeon Richter Plc. has no shares whose market trading is not permitted.

There is no restriction regarding the transfer of shares in issue representing the share capital.

The Company is not aware of any agreement between shareholders that would result in restricting shares issued or the transfer of voting rights.

Each share with a face value of HUF 100 entitles the holder to one vote; however, the Statutes restrict the exercise of shareholders' rights by stipulating that at the AGM no shareholder shall exercise voting rights, in their own right or as a proxy of another shareholder, alone or together with other related person(s) in excess of 25 percent of the voting rights represented by the shareholders attending in person or by proxy.

## 5.2. Shares in Issue

As of 1 January 2023, the number of ordinary shares comprising the Company's subscribed capital was 186,374,860. The number of shares did not change in the course of 2023.

## 5.3. Share Price Performance

The closing price of shares as of 30 December 2022 was HUF 8,300 compared to HUF 8,750 as of 29 December 2023. Average monthly share prices in 2023 varied between the minimum of HUF 7,461 per share (in March) and the maximum of HUF 9,125 per share (in September).

## 5.4. Market Capitalisation

The Company's market capitalisation linked to the performance of its share price on the Budapest Stock Exchange at the end of 2023 was HUF 1,631bn reflecting an approximately 5 percent increase in HUF terms when compared to its value recorded on 30 December 2022. Market capitalisation on 29 December 2023 in Euro terms was EUR 4.3bn.

## 5.5. Treasury Shares

The number of shares held by the Parent company in Treasury increased during 2023.

### Shares Held by the Company in Treasury

| | Reason of purchase | Number | Nominal value (HUF) | % as of share capital |
|---|---|---|---|---|
| **at 1 January** | | **21,274** | **2,127,400** | **0.011** |
| out of which owned by Parent Company | | *18,274* | *1,827,400* | *0.010* |
| Share purchase | | 3,414,224 | 341,422,400 | 1.832 |
| ESOT repurchased | | 223,417 | 22,341,700 | 0.120 |
| Share purchase (OTC) | Bonus, Remuneration | 2,724 | 272,400 | 0.001 |
| Shares of the employees share bonus that have not vested | Programme approved by NTCA* | 18,239 | 1,823,900 | 0.010 |
| **Total share purchased** | | **3,658,604** | **365,860,400** | **1.963** |
| Transferred as part of bonus program | | 5,270 | 527,000 | 0.003 |
| ESOT shares transferred | | 227,594 | 22,759,400 | 0.122 |
| Granted pursuant to employee share bonuses | Programme approved by NTCA* | 256,596 | 25,659,600 | 0.137 |
| **Total utilization** | | **489,460** | **48,946,000** | **0.262** |
| **at 31 December** | | **3,190,418** | **319,041,800** | **1.712** |
| out of which owned by Parent Company | | *3,190,418* | *319,041,800* | *1.712* |

Note:
* National Tax and Customs Administration of Hungary

The total number of Company shares at Group level held in Treasury on 31 December 2023 was 3,190,418 out of which the Group's subsidiaries held a total of 0 ordinary Richter shares.

In accordance with a repurchase obligation related to employee share bonuses, the Company repurchased 18,239 shares from employees who resigned from the Company during 2023.

The Company purchased 3,414,224 treasury shares on the Budapest Stock Exchange during 2023.

In accordance with the foundation charter and the IV. Incentive Policy of the Gedeon Richter Plc Employee's Share-Ownership Trust ('Richter ESOT') 223,417 treasury shares were received during the first quarter 2023 from the ESOT. To expand the V. Remuneration Policy and to comply with the VI. Remuneration Policy, 10,654 and 216,940 treasury shares were transferred to the ESOT.

Based on a decision of the Board of Directors, 5,270 shares held by the Company in treasury were granted in 2023 to employees participating in a bonus share programme and to other employees who rendered outstanding performance.

In 2023 Richter purchased 2,724 treasury shares on the OTC market.

On 17 October 2023 the Company purchased 3,000 Gedeon Richter common shares from its affiliated company Medimpex France. The purchased shares were transferred to Gedeon Richter Plc's securities account on 7 November 2023.

In line with a programme related to employee share bonuses, on 20 December 2023 the Company granted a total of 256,596 shares in respect of 4,881 of its employees. The above shares in the value of HUF 2,053m will be deposited at employees' individual securities accounts at UniCredit Bank Hungary Zrt. until 1 January 2026.

On 2 January 2024, following the expiry of the lock-up period the Company was able to remove all restrictions on 212,693 Richter ordinary shares granted to its employees on 20 December 2021, thereby enabling these shares to be traded.

## 5.6. Ownership Structure

The shareholder structure on 31 December 2023 is presented in detail in the following table:

| Ownership | Ordinary shares<br>Number | Voting rights<br>% | Share capital<br>% |
|---|---|---|---|
| **Domestic ownership** | **61,831,855** | **33.75** | **33.18** |
| State ownership total | 126 | 0.00 | 0.00 |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 54,883,394 | 29.96 | 29.45 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.17 | 10.00 |
| out of which Mathias Corvinus Collegium Foundation | 18,637,486 | 10.17 | 10.00 |
| out of which Foundation for National Health and Education of Medical Doctors | 9,777,658 | 5.34 | 5.25 |
| Retail investors | 6,948,335 | 3.79 | 3.73 |
| **International ownership** | **120,929,497** | **66.02** | **64.88** |
| Institutional investors | 120,585,433 | 65.83 | 64.70 |
| out of which FMR LLC | 9,457,941 | 5.16 | 5.07 |
| Retail investors | 344,064 | 0.19 | 0.18 |
| **Treasury shares and shares transferred to ESOT*** | **3,601,971** | **0.22** | **1.93** |
| **Undisclosed ownership** | **11,537** | **0.01** | **0.01** |
| **Share capital** | **186,374,860** | **100.00** | **100.00** |

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

# V. Strategic Review

## 1. Strategic Targets

Richter's mid-term strategy continues to strongly support achieving the company's vision of becoming a "Leading European Midpharma Company" by the end of the decade. The organizational changes, the clearer bundling of activities around the four strategic business units as well as the last few years' organic and inorganic investments all served the purpose of achieving financial excellence, continued secular growth and stability. All these ingredients are necessary to build a successful business model that will allow for sustainable value creation even after the loss of exclusivity of VRAYLAR®, a blockbuster drug, which currently provides substantial and fast-growing royalty income for Richter.

Primary capital allocation decisions are taking place at group level, while the four Business Units have their own strategic targets with clear responsibility along a detailed set of performance indicators. The Business Units are in different stages of maturity and cash generation and face different challenges, hence require individual target setting, management and execution.

- The aim of the CNS Business Unit is, by utilizing our world class early phase R&D capability in the central nervous system domain, to build a strong pipeline of small molecule drug candidates in indications with high unmet medical need. We are working to further maximize the potential of cariprazine, while developing and partnering original R&D projects latest at end of Phase 2 for at least the US market that could provide the basis for revenue and earnings growth beyond 2030 (after patent expiry of the cariprazine capsule).
- The Women Healthcare (WHC) Business Unit globally looks after women's health by setting trends in female fertility, uterine fibroids/endometriosis, female contraception, vaginal infections, menopause and female technology. By addressing unmet needs and staying ahead of innovation the WHC Business Unit aims to become the leading provider of pharmaceutical products in geographical Europe by the end of this decade, while achieving superior profitability.
- The Biotechnology (BIO) Business Unit, as the most recent addition to Richter's scale of pharma expertise is expected to establish and reinforce the Company's presence in the fastest growing segment of the industry. By developing, manufacturing and commercializing Biosimilars, Richter carries out high-entry barrier activities in order to offer innovative treatment options and broadening patient access to biological therapies in the fields of Rheumatology, other Auto-immune diseases and Osteoporosis (RIO) in Europe and Australia. In addition to bringing own biosimilar products to the markets BIO also services third parties by contract development and manufacturing activities (CDMO) carried out in both microbial and mammalian projects. Richter intends to strengthen its biosimilar portfolio over the coming years with the launch of further biosimilars and aims at achieving a self-sufficient state of operation by 2027-2028.
- General Medicines (GM) Business Unit is focusing on a narrower geographic region of Central Europe and Eastern Europe, which is responsible for more than 90 percent of this Business Unit's revenues. GM aims to preserve its local hero position in Hungary and to become a leading generic supplier across the Central and Eastern European markets. With a clear focus on central nervous system (generic) and cardiometabolic treatments (the latter comprising of cardiovascular blood and diabetes related therapeutic areas) this Business Unit also aims to create a leading OTC retail portfolio by both organic and inorganic means.

# 2. Neuropsychiatry (CNS)

## 2.1. Overview

Innovation and research of original drug molecules have been key elements in the Company's strategy since its foundation in 1901. Some centrally acting new chemical entities were discovered, developed, and marketed in the second half of the 20th century that served as the basis for later breakthrough achievements in the CNS field. Cariprazine, a multiple blockbuster being sold globally, was discovered by the Company in the early 2000s, and is the first drug in history having been successfully co-developed and co-financed by a Central European pharma company for the US market. The outstanding partnership with Forest (now AbbVie) throughout the development from Phase 1 to successful launch has proven to be an excellent partnering model for the Company that is intended to be replicated for ongoing and future developments.



## 2.2. Cariprazine

Cariprazine is an oral, once daily atypical antipsychotic approved for multiple indications in the US under the brand name VRAYLAR® including the adjunctive therapy to antidepressants for the treatment of major depressive disorder (MDD) in adults, treatment of depressive episodes associated with bipolar I disorder (bipolar depression) in adults, acute treatment of manic or mixed episodes associated with bipolar I disorder in adults and treatment of schizophrenia in adults. The drug is approved in a further 67 countries globally (in Europe, it is marketed under the brand name Reagila), mostly for treatment of schizophrenia in adults. In predominant negative symptoms of schizophrenia, the molecule showed superior efficacy in a pivotal head-to-head study in comparison to standard of care. This active comparator study was the basis for successful market access activities in Europe and beyond.

While the mechanism of action of cariprazine is unknown, its efficacy is thought to be mediated through a combination of partial agonist activity at central dopamine $D_2$ and serotonin 5-HT1A receptors and antagonist activity at serotonin 5-$HT_2$A receptors. It may act as a partial agonist with high binding affinity at dopamine $D_3$, dopamine $D_2$, and serotonin 5-$HT_1$A receptors with demonstrated up to ~8-fold greater in vitro affinity for dopamine D3 vs D2 receptors. Cariprazine also acts as an antagonist at serotonin 5-HT2B and 5-HT2A receptors with high and moderate binding affinity respectively as well as binding to the histamine H1 receptors. Cariprazine shows lower binding affinity to the serotonin 5-HT2C and α1A- adrenergic receptors and has no appreciable affinity for cholinergic muscarinic receptors.

**Global update**

USA, AbbVie: Richter's partner in North America has performed extremely well with VRAYLAR® in 2023, boosted by the launch in adjunctive treatment for major depressive disorder in the US. AbbVie expects a peak revenue approaching USD 5bn, meanwhile, also it is anticipated that the global (including USA) psychiatry market will grow significantly in value in the upcoming years.

In June 2023, AbbVie announced reimbursement for VRAYLAR® for the treatment of schizophrenia under the Non-Insured Health Benefits Program in Canada.

In the USA, AbbVie's recorded USD 2.76bn sales proceeds from VRAYLAR®, complemented by a few more million USD turnover achieved in Canada and Puerto Rico. These altogether resulted in a USD 525 million royalty income for the Company in respect of 2023.

In Western Europe sales of Recordati (Richter's commercial partner for this region) increased in 2023 by more than 20 percent when compared to the levels recorded in 2022. This is an outstanding achievement when considering earlier turnovers reported by REAGILA® following its approval for the schizophrenia indication in 2017 by EMA. By the end of 2023, REAGILA® was practically launched on all European markets where Richter was able to obtain a reimbursed status. In Central Europe and in Eastern Europe (former CIS region), Richter performs sales and marketing activities for REAGILA® taking advantage of its own network, and it reported a robust growth in 2023, supported by a sharp increase in sales on markets where the product could only be launched relatively late in the year, like Poland, Romania, and Russia. In 2023, within Richter's territory, REAGILA® received reimbursed status in Romania, and subsequently its active promotion started.

In 2023, the Company as the marketing authorisation (MA) holder of REAGILA® submitted an extension application to EMA for an orodispersible tablet as part of the life cycle management of cariprazine.

Following the regulatory approvals obtained in the United States (2015) and the European Union (2017), the Company started to actively license out cariprazine to those territories where it did not have an own sales network and the marketing of the drug promised commercial success. As a result, cariprazine is now available in 64 countries globally and is promoted by key pharmaceutical players in each territory. In most cases, the available clinical data were eligible to register cariprazine outside the USA and EU, meanwhile in South Korea, Japan and Taiwan, our partners are conducting local Phase III trials as required for registration.

In 2023, our partner, Adcock successfully received an authorization in the schizophrenia indication in South Africa and launched the product in September. Recordati also launched Reagila in Tunisia in late 2023 and are currently pursuing the local reimbursement procedure. Within MENA region, our partner Hikma launched in all countries where the registration was successfully completed and are therefore now distributing the product in 12 countries and there is one ongoing registration procedure (in Sudan).

The table below summarises the territories served by the Company's own distribution network and those countries where a contracted license partner does the registration and/or distribution of cariprazine.

| Company | Territory |
|---|---|
| AbbVie | **United States, Canada**, Latin America (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Venezuela, **Puerto Rico**), Japan, Taiwan |
| Adcock | **South Africa** (Lesotho, Botswana, Swaziland, Namibia, Zimbabwe) |
| Dexcel | **Israel** |
| Evropa LEK | **Macedonia** |
| Gedeon Richter | **Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Serbia, Montenegro, Vietnam, Russia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldavia, Ukraine, Uzbekistan** |
| Hikma | **Bahrain, Egypt, Jordan, Iraq, Saudi Arabia, Kuwait, Lebanon,** Libya, **Morocco,** Algeria, **Oman, Qatar,** Sudan, Syria, **United Arab Emirates** |
| Mitsubishi Tanabe | **Singapore, Thailand, Malaysia, Indonesia, Philippines,** Sri Lanka |
| Recordati | **Germany, Spain, Italy, UK, Ireland,** France, **Switzerland, Austria, Greece,** Turkey, **Portugal, Belgium, Denmark, Norway, Sweden, Finland, Luxembourg, Liechtenstein, Netherlands,** Iceland, **Tunisia,** Malta, **Cyprus** |
| Seqirus | **Australia**, New Zealand |
| WhanIn | South Korea |

Note: Countries in bold print were marketed during 2023.

In most countries, cariprazine is registered and marketed in the schizophrenia indication, with certain geographies, where sufficient clinical data was available to meet regulatory requirements, and distribution was also commercially feasible, multiple psychotic indications were requested and granted. The following table summarises the countries where cariprazine has been registered in multiple therapeutic indications.

| **Country** | **Registered indications** |
|---|---|
| Belarus | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Canada | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Indonesia | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Israel | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Malaysia | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Philippines | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Russia | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Singapore | Schizophrenia, Bipolar Mania, Bipolar Depression |
| Thailand | Schizophrenia, Bipolar Mania, Bipolar Depression |
| USA | Schizophrenia, Bipolar Mania, Bipolar Depression, aMDD* |

Note: *adjunctive therapy to antidepressants for Major Depressive Disorder

The aim of the CNS Business Unit is to maximize the value of cariprazine be it by own means or with the support of external partners, in order to offer the treatment to as many patients suffering from various mood disorders as possible. A motivated cross functional team supports effective medico-marketing, market access and product management activities to achieve leading position among the oral atypical antipsychotics. Our aim is to be the partner of choice in psychiatry for patients, family caregivers and healthcare professionals. Currently cariprazine is the most valuable Richter asset contributing to the profitability of the Company.

The team is working diligently to invest into CNS research and pipeline projects in order to maintain long term profitability of the business unit by successfully introducing innovative treatments globally in the 2030s.

## 2.3. Original CNS research and development

Capitalizing on the expertise gained throughout the research, development and medico-marketing of the cariprazine our aim is to research and develop further CNS assets in a cost-efficient way. We aim to have a new molecule close to the market by the end of the 2020s and have a balanced pipeline continuously fed with new pipeline candidates primarily deriving from internal sources.

We believe that there is much unmet medical need within the CNS therapeutic field where we have outlined symptom clusters, such as negative, positive, and cognitive. There are a number of different indications related to the above-mentioned symptom clusters, which provide a wide range of potential biological targets to pursue. Our aim has been unchanged, that is to pursue differentiated development possibilities in these therapeutic areas via developing small molecule products. We strongly believe such development could be of interest to various companies with whom we could co-develop the candidates through clinical phases and could share development risks in exchange for shared profits to be obtained on the markets.

In March 2022 an agreement was inked with AbbVie for a new co-development and license agreement to research, develop and commercialize novel dopamine receptor modulators for the potential treatment of neuropsychiatric diseases. The most advanced development programs achieved human clinical testing phase in 2023 while other programs have also successfully advanced during the reported year.

Further to the above, our pipeline which has not yet been partnered has also recorded significant progress during the year in review: two assets moved into Phase I, resulting altogether in one Phase II and three Phase I clinical stage active developments in addition to the programs co-developed with AbbVie. Additional preclinical research and development programs were pursued, resulting in a total number of 13 CNS R&D programs.

We value the strengths offered by partnership type of co-operations and therefore the Company increased its visibility at partnering congresses during 2023 in order to awake the interest of different companies from our existing partners. The Company has also started to systematically build ecosystems, among those who are focusing on CNS in order to have early access to any new opportunities or research solutions.

Despite the setback in recent years in clinical developments caused by the COVID-19 pandemic and the Russian-Ukrainian war (restricting the involvement of clinical sites), the Company has focused its efforts so as to speed up R&D to support its strategic goals. In parallel further steps have been sustained to strengthen a goal-oriented culture and a focus on innovation and novel solutions. One principle, however, remains unchanged: we do not make any compromises when the quality of science is in question.

The Business Unit model introduced at the beginning of the reported year the team is focused to coordinate its actions required to reach the Company’s strategic aims in respect of neuropsychiatry, primarily meaning to successfully develop original CNS products in global partnerships that can reach the market in the 2030s.

In 2023 Richter filed 5 new patent applications, and it had 8 new scientific publications released within the CNS field.

# 3. Women's Healthcare (WHC)

## 3.1. Overview

One of Richter's most important niche areas is its Women's Healthcare business. The Company has unique and long-term experience in this field dating back to when its founder, Mr Gedeon Richter, a pharmacist, started to conduct research into steroids. This was at a time when they had complete novelty. He has introduced the first WHC product in 1902 under brand name Tablette Ovarii. Since then, the Company has consistently utilised its pharmaceutical manufacturing facilities to undertake the required complex and lengthy development processes which result in high quality gynaecological products.

Our Women's Healthcare franchise traditionally has had a strong presence in Central and Eastern Europe and in the CIS region. In the mid 1990's our USA business was scaled up initially by signing a strategic agreement with Duramed Inc. focusing on Richter's niche specialty area, Women's Healthcare, notably on oral contraceptives, which was extended both in scope and in duration with Barr Inc., who acquired Duramed. Subsequent mergers and acquisitions did not interfere with our long-term partnerships, which over time have enabled our US organisation to become a renowned Women's Healthcare API (Active Pharmaceutical Ingredient) supplier. In addition, Richter is a supplier to Foundation Consumer Healthcare (previously having supplied to Teva) of its finished form emergency contraceptive products, PLAN B / PLAN B ONE-STEP.

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

In August 2023, Richter and Mithra have signed a supply agreement for the active pharmaceutical ingredient (API) for the combined oral contraceptive DROVELIS® / ESTELLE® and their novel product candidate for the treatment of post-menopausal symptoms (DONESTA®). The agreement specified that Richter is going to manufacture and supply native oestrogen estetrol (E4) for the above two products.

With one of the broadest women's healthcare portfolios worldwide Richter serves women's medical needs on all continents. To support the sales and distribution of its products Richter maintains an extensive specialized sales network across Western Europe, Central Europe and Eastern Europe (all of the CIS republics). In addition, subsidiaries of the Group promote and distribute this specialty portfolio in China, Australia and most of the Latin American countries. In those countries where the Group has no direct presence, women are able to access our high added value range of products via Richter's well established local partners.

In February 2023, Richter acquired 100 percent control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. This agreement brought a significant expansion to sales levels achieved in the UK and Ireland by Richter's OC franchise. In July 2023 Richter acquired 100 percent control of Giskit MD B.V. together with the ownership and patent rights of EXEM FOAM® and GISKIT globally, excluding the US, China and South Korea. Both Women's Health Care products are used in more patient-friendly ultrasound examinations.

## 3.2. WHC Portfolio

### 3.2.1. Female Contraception

We offer a broad range of contraceptive options to assist women to shape their lives according to their wishes. When it comes to the choice of contraceptive methods, reliability, safety, ease of use and convenience all play a major role. Step by step we have built up a product portfolio, which contains several first, second, third, fourth and fifth generation oral contraceptives, non-oral contraception products and emergency contraceptives, providing a broad range for the female population to choose those products which fit most with their personal needs.

#### DROVELIS® a Novel OC Licenced-in from Mithra

To further diversify the range of contraceptives to women an agreement was signed with Mithra Pharmaceuticals in 2018 to commercialise a combined oral contraceptive, containing estetrol and drospirenone. The product is a novel oral contraceptive with native oestrogen acting selectively in tissues combined with additional benefits of drospirenone. The geographic scope of the agreement covered Europe, Russia and other CIS countries.

In February 2020 EMA commenced its evaluation of Richter's marketing authorisation application and following the closing of the reported year, in March 2021 CHMP issued a positive opinion which was endorsed by EMA in May 2021 granting MAA to the product. Subsequently the product was launched at the end of the second quarter 2021 being first available on the German, Austrian, Hungarian, Polish, Belgian and Slovak markets. The forthcoming periods will see the product launched in the other markets covered by the contract.

In December 2020 Richter and Estetra S.A, the wholly owned subsidiary of Mithra had extended their partnership and signed a licence and supply agreement for the commercialisation of the same novel OC to include key markets in Latin America. Preparations to apply for Latin American registrations have been also carried out through the year under review.

In 2023 Richter extended the existing agreements with estetrol (API) supply for Mithra partners covering US and Japan markets.

Total turnover achieved by this product in 2023 amounted to HUF 11,948m.

#### EVRA® Contraceptive Patch

In December 2020 as a further step to enhance our existing branded female healthcare franchise worldwide Richter signed an agreement with Janssen, a wholly owned subsidiary of Johnson & Johnson to purchase its Outside US EVRA® transdermal contraceptive patch assets. The purchase price paid for the assets amounted to USD 263.5m.

By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women.

EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99 percent effective.

In 2023 we observed an average 5 percent growth over the markets. The biggest EVRA® markets include Mexico, Canada, Poland, Brazil, UK, Italy, Spain and Saudi Arabia. Several markets have overperformed the 2020 expectations for mid-term development.

Total turnover achieved by this product in 2023 amounted to HUF 30,145m.

#### OC Portfolio Acquired from Grünenthal

The purchase in 2010 of Grünenthal's well-established oral contraceptive franchise boosted both our existing gynaecological sales and also created a platform for establishing a Women's Healthcare sales network in Western Europe.

In May 2023 Richter's Brazilian affiliate signed an agreement with Grünenthal do Brasil Farmaceutica Ltda on the commercialisation of the latter's Women's Healthcare portfolio.

#### Contraceptive Intra-Uterine System (IUS) LEVOSERT®

Extending our Women's Healthcare franchise, a levonorgestrel releasing Intrauterine System (IUS), LEVOSERT® was launched in Central Europe and in 2017 further licensed-in from Allergan / AbbVie for Western and Northern European countries. The agreement was extended in 2019 to also include Latin American markets.

Product registration for EU markets in respect of a novel, more comfortable version of the product allowing for one handed insertion (SHI) has been launched in 2022.

### 3.2.2. Uterine Fibroids and Endometriosis

Affecting over 25 percent of women of reproductive age, uterine fibroids are noncancerous tumours that develop in or on the muscular walls of the uterus and are among the most common reproductive tract tumours in women. In addition to an individual's genetic predisposition, oestrogens are well known to play an important role in the regulation of fibroid growth.

Although uterine fibroids are benign tumours, they can cause debilitating symptoms such as heavy menstrual bleeding (frequently resulting in anaemia and fatigue), pain (including painful periods, abdominal pain, painful intercourse, backache), increased abdominal girth and bloating, urinary frequency or retention, constipation, pregnancy loss, and, in some cases, infertility. These symptoms can also lead to loss of productivity at work, limitations in normal activities of daily living, and social embarrassment.

Affecting approximately 10 percent of women of reproductive age, endometriosis is a disease in which tissue similar to the uterine lining is found outside the uterine cavity, commonly in the lower abdomen or pelvis, on ovaries, the bladder, and the colon. This endometrial-like tissue outside the uterus results in chronic inflammation and can cause scarring and adhesions.

The symptoms associated with endometriosis include painful periods and chronic pelvic pain, painful ovulation, pain during or after sexual intercourse, heavy bleeding, fatigue, and infertility. Endometriosis can also impact general physical, mental, and social well-being.

For pain associated with endometriosis, initial treatment options include oral contraceptives and over-the-counter pain medications. In more severe cases GnRH agonists are used for short-term treatment.

**RYEQO® (relugolix)**

In March 2020 Richter and Myovant Sciences, a healthcare company focused on developing innovative treatments for women's health and prostate cancer, have entered into an exclusive licence agreement for Richter to commercialise relugolix combination tablet (relugolix, oestradiol and norethindrone acetate) for uterine fibroids and endometriosis in Europe, the Commonwealth of Independent States (CIS) including Russia, Latin America, Australia, and New Zealand.

Prior to the agreement Myovant submitted in March 2020 a Marketing Authorization Application to the EMA for a relugolix combination tablet for the treatment of women with moderate to severe symptoms associated with uterine fibroids.

In line with Richter's expectations the MAA was granted in July 2021 under the brand name RYEQO® with launches on the first EU markets, including Hungary and other countries, having commenced in the second half of the year.

Richter had the product launched on all European key markets by the end of 2022 except France. In 2023 all market access work related to uterine fibroids has been completed with most important European markets having received reimbursement except for France.

In November 2023 the product received the final EC approval for its endometriosis indication. Local market access and marketing activities started immediately.

Total turnover achieved by this product in 2023 amounted to HUF 6,571m.

## 3.2.3. Female Fertility

Up to 25 percent of all couples may experience problems in conceiving a child, a figure that appears to be rising partly due to the trend to delay pregnancy. The World Health Organization estimates that there are about 60 to 80 million cases of infertility around the world. Being a responsible player in the pharmaceutical universe we are aware of the importance of reproductiveness of the female population and we are committed to addressing women's needs from a pharma industry perspective.

**BEMFOLA®**

In addition to an already well-established portfolio a very promising product has been added in 2016, when Richter acquired Finox Holding, a privately held Swiss biotech company focused on the development and commercialisation of innovative and cost-effective products addressing female fertility. Finox represented a unique opportunity for Richter to widen its core Women's Healthcare franchise and further emphasised its commitment to the biosimilar business. This acquisition allowed Richter to establish its presence in the female fertility therapeutic area – a major growth market.

BEMFOLA®, a recombinant-human Follicle Stimulating Hormone (r-hFSH) was developed by Finox as a biosimilar to GONAL-f®, an established reference product. BEMFOLA® was the first biosimilar r-hFSH launched in Europe.

Total turnover achieved by this product in 2023 amounted to HUF 21,996m.

## CYCLOGEST®

The Fertility portfolio was further expanded in 2018 when Richter agreed with L.D. Collins & Co. Limited, a UK based company, to commercialise its progesterone containing assisted reproduction technology (ART) product, CYCLOGEST® in 27 EU member states. In 2019 the agreement was extended to Australia and New Zealand. Beside the regulation of ovulation and menstruation, progesterone is essential in establishing and maintaining early pregnancy. CYCLOGEST® pessaries contain 400mg of progesterone, a naturally occurring progestogen. CYCLOGEST® prepares the lining of the uterus (endometrium) to be as receptive as possible to the embryo and therefore it is critical to support the luteal phase as part of ART.

The product has been launched on most EU markets. Total sales recorded by this product in 2023 was HUF 5,957m. The product has been registered in Australia to be followed by New Zealand.

## GANIRELIX GEDEON RICHTER

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

Commercialisation of the brand started in Q3 2022 in Europe with the aim to cover all countries where BEMFOLA® is available. Sales of GANIRELIX Gedeon Richter reached HUF 2,438m in 2023.

## GISKIT

Richter announced in July 2023 a Share Purchase Agreement to transfer 100 percent of the Giskit MD B.V. shares to Richter from Giskit Holding B.V.

Giskit MD B.V. was the owner of ExEm Foam® and GISKIT assets and patent rights globally, excluding the US, China and South Korea. Both Women's Health Care products are used in more patient-friendly ultrasound examinations, ExEm® Foam for the examination of the fallopian tubes and GISKIT for the examination of the uterine cavity.

The acquisition of this medical device is a perfect fit for the company's specialty strategy by expanding its in vitro fertilization portfolio.

Commercial take over from existing channels starts in the second quarter 2024 in Europe with the aim to cover all countries where BEMFOLA® is available.

## AYOLA®

New delivery technologies are well received by lifestyle driven patient groups as younger generations require new, non-oral approaches to contraception. Digitalization in healthcare creates an opportunity to make faster progress in the area of personalized healthcare. The analysis of real-world data – anonymised patient data collected from visits to doctors, medical records and other sources – will give a major boost to innovation in the medium to long-term.

AYOLA® is a smart, self-inserted vaginal ring that continuously measures a woman's core body temperature to detect subtle changes that occur prior to ovulation as an aid in detecting the fertile window. An alert is sent to her smart phone when she is most fertile through the accompanying AYOLA® app. By continuously and passively measuring core body temperature, Prima-Temp's smart technology powered by its proprietary algorithm provides a convenient and precise means for identifying the fertile window. The ring does not contain any active ingredient but a temperature measurement sensor.

The device is currently undergoing real life testing in Hungary with market launch expected to occur by the end of 2025.

## 3.2.4. Hormone Replacement Therapy

The menopause is a period of natural transition that every woman eventually experiences. The decline in oestrogen production that characterises this transition period can have short and long-term implications. It is no secret that the menopause might have a negative influence on quality of life. Furthermore, oestrogen loss is closely associated with the development of osteoporosis and bone fractures. Our aim is to maintain women's health and quality of life over the long-term.

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

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

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

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

Long term safety studies have been completed. A marketing authorisation dossier is under preparation and submission is expected to occur in the fourth quarter 2024.

In December 2023, Richter expanded its partnership with Mithra for the development and exclusive commercialization of the first estetrol-based combined oral contraceptive (DROVELIS®) and the mono estetrol (E4) investigational product for the treatment of the symptoms of menopause (DONESTA®) in China.

### LENZETTO®

Based on a cooperation established in 2013 with Acrux, an Australian drug delivery company, Richter commercialises Acrux's oestradiol transdermal spray therapy for female menopause symptoms in all markets outside the United States.

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

Turnover of LENZETTO® during 2023 amounted to HUF 7,486m.

### VAGIRUX® / REWELLFEM®

Richter concluded an agreement with the Germany based Helm AG in 2017 aiming towards the development of a generic product to VAGIFEM ® owned by Novo Nordisk. VAGIFEM® is a unique vaginal tablet containing estradiol and it includes a device for its application. Having successfully completed a complex development process Richter's portfolio for addressing menopause symptoms now includes a product offering local therapy for women suffering of vaginal dryness resulting as a consequence of the menopause.

Under the terms of the contract Richter obtained exclusive commercial rights for Europe less Scandinavia and the UK, where such rights are semi-exclusive. The product has been launched in a number of countries since 2020 under the brand name VAGIRUX® / REWELLFEM®.

Turnover recorded in respect of this product in 2023 amounted to HUF 3,427m.

## 3.2.5. Other Women's Healthcare Products

### PAPILOCARE®

PAPILOCARE® is a medical device aiming at the prevention and adjunctive treatment of alterations of the cervix caused by containing natural ingredients. The product complements Richter's wide ranging Women's healthcare portfolio in an area with limited therapeutic solutions available.

Under the terms of the licence agreement concluded with Spain based ProCare Health, S. L. in 2018 Richter is entitled to commercialise the product in Central and Eastern Europe and Austria. These geographies were extended in 2020 to include Russia and Ukraine.

Turnover recorded by PAPILOCARE® in 2023 in Central Europe, Eastern Europe and Austria altogether amounted to HUF 1,365m.

# 4. Biotechnology (BIO)

## 4.1. Overview

The business activities carried out by the Biotechnology Business Unit cover two separate value and revenue streams:

- one relates to Richter's biosimilar portfolio, including commercial revenues generated from the Company's teriparatide biosimilar, and the management of the Company's biosimilar pipeline,
- the second relates to biotechnology CDMO – Contract Development & Manufacturing services generated revenues mainly driven by the Richter-Helm Biologics joint venture.

As a consequence of the fundamentally different know-how required for biological drug development and manufacturing, this Business Unit does not share research, development and manufacturing platforms with the other Business Units of the Company.

## 4.2. Biosimilars in general

A biosimilar medicine is a biological medicine that is developed to be highly similar to an already authorised biological medicine (the 'reference medicine'). The biosimilar medicines do not have any clinically relevant differences from the reference medicine in terms of quality, safety or efficacy.

By competing with original biologics across a growing range of therapy areas, biosimilars enable stakeholders – including payers, physicians and patients – to benefit from greater choice when it comes to treatment options, and hence increase patient access to effective therapeutic biologics.

The growing share of biologics within the global pharmaceutical market is reflected in Richter's efforts to further strengthen its biotechnology pillar. Focus remains on successfully developing, manufacturing and commercializing a portfolio of biosimilar products, with a main focus on the osteoporosis and rheumatology fields.

The global biosimilar market size was over USD 25bn in 2022 and is expected to reach a value beyond USD 80bn by 2029, growing at an expected CAGR of beyond 15 percent. At the end of 2023 there were 45 biosimilars approved by the US FDA, with a significantly higher number approved in the EU. With further patent expiries of biologic blockbuster products expected in coming years, these numbers are expected to grow significantly. Uncertainty remains over expected market pricing trends of biosimilars, particularly in the United States, translating to uncertain margin predictions for biosimilar assets.

Biosimilars will undoubtedly continue to allow for significant healthcare savings and as a result will both increase patient access to biologics treatments and allow for healthcare support of an ever-increasing number of new biological pharmaceutical products.

## 4.3 Biosimilar revenues and development pipeline

### 4.3.1. Targeted indication areas – Osteoporosis, Rheumatology

**Commercial product - TERROSA®, teriparatide**

Teriparatide is identical to the biologically active fragment of the human parathyroid hormone, it replaces the natural hormone and stimulates bone formation. Teriparatide is used for the treatment of osteoporosis as it reduces the risk of bone fracture in various patient groups, providing a very effective osteoanabolic treatment option for patients. Osteoporosis is more common in women after the menopause, and it can also occur in both men and women as a side effect of glucocorticoid treatment.

Gedeon Richter launched its teriparatide biosimilar in 2019, the first biosimilar teriparatide available on the global market. The biosimilar teriparatide was developed by Richter-Helm BioTec GmbH & Co. KG, Richter's joint venture company, which owns the asset. The product was approved in adults for the same indications as Eli Lilly's FORSTEO®.

The product is commercialised via Richter affiliates in Europe, Australia and Latin America, under the brand TERROSA®. The product has also been licensed to and launched in Europe by STADA under the brand name MOVYMIA®. The product has also been commercialised via different partners in further multiple markets globally (under different brand names), including South Korea, Canada Israel and other Asian and MENA countries. Furthermore, in cooperation with Mochida Pharmaceuticals the product was licensed out for commercialisation in Japan, where it was launched in late 2019, becoming the largest single country market in terms of volume for Richter's biosimilar teriparatide.

Sales of the product have grown steadily, and in 2023 it has achieved global annual sales of over EUR 120m through Richter and global partners altogether. Total sales proceeds from teriparatide as recorded by Richter amounted to HUF 21,682m in 2023. The latter figure includes sales proceeds from Japan, representing close to 20 percent of total sales as reported by Richter.

Despite increasing competition, we anticipate further growth in sales in 2024. Marketing authorisations in further geographies were recently achieved, hence we expect growth in further geographies. Furthermore, as a consequence of the dosing pen being relaunched in some countries, we expect favourable market share trend changes.

**Product candidates under development - denosumab and tocilizumab biosimilars**

Richter intends to strengthen its biosimilar portfolio over the coming years with the launch of two further biosimilars in the osteoporosis and rheumatology fields respectively, upon patent expiry of the originator products. One such product is a biosimilar of denosumab (Amgen´s PROLIA® and XGEVA®) and the other is a tocilizumab biosimilar (ACTEMRA® from Roche).

Denosumab is a human monoclonal antibody used for the treatment of osteoporosis and oncology. Denosumab is a RANKL (receptor activator of nuclear factor-κB ligand) inhibitor which works by preventing the development of osteoclasts, which are cells that break down bone. It is used for patients with osteoporosis at high risk for fractures, bone loss due to certain medications, and in cancer patients with bone metastases or giant cell tumours of the bone.

The denosumab development entered its clinical phase of development in 2021, covering both a phase I study and a global Phase III programme including clinical sites in the US. In 2022 all Phase I and Phase III subject and patient recruitment has been concluded. The clinical programme has also been successfully completed, with final documentation due in 2024. Final marketing authorisation submission preparations are ongoing and we expect to submit these to both EMA and FDA in 2024, with subsequent product launches to be expected in 2025.

In December 2021 Richter and Hikma Pharmaceuticals Plc. have entered into an exclusive licence agreement to commercialise Richter's denosumab, comprising two biosimilar products referencing PROLIA® and XGEVA® in the United States.

Tocilizumab is a biological product used in the treatment of rheumatoid arthritis. The product is also approved for the treatment of paediatric juvenile idiopathic arthritis, systemic juvenile idiopathic arthritis, giant cell arteritis and CAR-T cell-induced cytokine release syndrome. It is available in both subcutaneous and intravenous formulations.

The tocilizumab biosimilar development follows the acquisition in April 2020 of such an asset from the Taiwanese company Mycenax. Following technology transfer and scaleup its technology development programme was completed, with validation of commercial scale DS and DP production to be completed in 2024.

In October 2020 Richter entered into a licence agreement with Mochida Pharmaceutical Co. in respect of Richter's biosimilar tocilizumab for the treatment of rheumatoid arthritis. According to the agreement Mochida received rights to develop, manufacture and commercialise the product in Japan. A clinical development programme, meeting PMDA and EMA requirements, started in 2023 covering both Phase I and Phase III studies. The Phase I study is due to be completed in 2024, expected marketing authorisation submissions are expected in 2025. This programme is run as a co-development programme with Mochida Pharmaceutical Co.

## 4.3.2. Contract Development and Manufacturing (CDMO)

Revenues for the Biotechnology Business Unit include CDMO services - HUF 24,519m in 2023 - in addition to turnover resulting from teriparatide sales. The majority of the revenue comes from Richter-Helm Biologics CDMO revenues covering development and manufacturing services for microbial fermentation-based biologics. Furthermore, Richter has engaged in CDMO services at its Debrecen facility for clients covering manufacturing of biologics drug substances that are mammalian cell fermentation based and drug product fill & finish services for a wide array of biologics. These revenues increased by over 20 percent in HUF terms in 2023 when compared to 2022.

Drug product manufacturing of Richter's other biosimilar product besides teriparatide, BEMFOLA® was transferred to the Company's biologics manufacturing site in Debrecen, Hungary in the second half of 2020. This second manufacturing site strengthens supply chain reliability and capability for this important women's healthcare portfolio fertility product.

At the Company's Debrecen facilities, a new drug substance (DS) production line comprising of single-use bioreactor capabilities became fully operational in 2020. The site infrastructure was further extended with a new office and social building, including on-site conference and catering capacities. In 2023 a further fill and finish manufacturing line is being commissioned to increase drug product (DP) manufacturing capacities further, this is expected to become operational in 2024.

The Debrecen DS plant is multi-faceted, allowing for parallel production lines and providing multiple technologies, which together with the fill and finish facility complemented by development and Quality Control (QC) laboratories can meet the biomanufacturing needs of both Richter portfolio products and external client needs. These capability developments resulted in the increasing CDMO sales referenced above.

Further capital expenditure projects are also being conducted at the Bovenau based manufacturing site of Richter-Helm Biologics (RHB) in order to significantly increase capacities as microbial CDMO project demand opportunities have increased and RHB continues to strengthen its position as the microbial biologics CDMO service provider of choice.

# 5. General Medicines (GM)

## 5.1. Overview

The General Medicines Business Unit was created in 2023 by the combination of the Traditional and Branded Generics businesses of the Company. The creation of the new Business Unit was also followed by a thorough review of the focused therapeutic and geographical areas of the business. The updated strategy targets significant growth above the market average for the coming years.

The business goals include achieving regional significance in the cardiometabolic and CNS therapeutic areas in the largest Central and Eastern European markets in the coming years taking advantage of the current range of products and the planned expansion of the product range in the existing and new therapeutic areas. In addition, the Business Unit intends to place great emphasis on the organic and inorganic growth of OTC sales.

The sales generated by the GenMed portfolio played a prominent role in Richter's balanced growth in 2023 and accounted for 30 percent of the Company's total Pharma revenue. Despite a substantial volume growth and a positive price impact, reported GenMed sales practically stagnated (grew by a mere 0.8 percent) in 2023 to HUF 226,888m as a consequence to the negative impact of the RUB depreciating over 20 percent in addition to higher operating costs and claw-backs. Clean EBIT at HUF 43,319m was also affected by the increase in the costs of R&D and efficiency-improvement projects.

As a key enabler of reaching the new strategic targets, the Business Unit has started a significant organizational and efficiency development program in those markets that hold the greatest growth potential.

## 5.2. Portfolio Expansion and life-cycle management

The primary goal of the GenMed Business Unit is to seize all generic development opportunities that are necessary to reach a leading market position and to best serve our patients. For this purpose, the Business Unit spent HUF 10,627m, or 4.7 percent of the GenMed revenue in 2023 for R&D purposes.

In recent years, Richter placed a lot of emphasis on the development of generic and fixed-dose combined products in the existing and new therapeutic areas, which enables the strengthening of the cardiometabolic and CNS areas, among which diabetes, multiple sclerosis and blood therapeutic fields stand out. In the last 3 years, we went through process and capability developments to make sure that Richter can serve the patients with generic alternatives on the first day after the expiry of patent exclusivity.

In the pipeline, currently 15 programs are running in various stages of development, which ensures continuous market entry and renewal of the portfolio in the following years. 6,7 percent of the total sales was generated in 2023 by revenues of those GenMed products that we introduced in the last 5 years.

In 2023, as a result of the development activities focused on GenMed, we obtained 55 Marketing Authorizations, among which the registration of rivaroxaban in Russia, ticagrelor in the EU area and the ezetimibe-rosuvastatin combination in Hungary stand out. In addition, the successful bioequivalence study is followed by the apixaban marketing authorisation application, which we also submitted in the European territories.

Further registration work may begin as a result of the successful bioequivalence study of the dapagliflozin+metformin combination in the EU and apixaban in the EAEU area.

We put great emphasis on managing the life cycle of products, optimizing formulations and technological processes, as well as cost-effective manufacturing of products, a reason of our constantly monitoring the quality and profitability of our medicines.

License-in activity is an important tool for expanding the portfolio. While in 2023 we signed 8 license-in contracts, we plan to accelerate these efforts, which we view as a major enabler for some of our strategic growth targets.

## 5.3. Marketing and commercialisation

Richter is committed to the development and supply of pharmaceuticals in a wide range of therapeutic areas, expanding to new geographies in order to improve access to affordable life-changing treatments for patients worldwide.

The most important product launch of GenMed in 2023 in the cardiovascular generic portfolio was Telexer (dabigatran), which is the first generic product launched in the Central European region. Other important launches occurred when Richter expanded its generics portfolio for patients with type 2 diabetes in several markets launching Juzina (sitagliptin) and Juzimette (sitagliptin+metformin) in Central and Eastern Europe, as well as the introduction of Agartha (vildagliptin) and AgarthaMet (vildagliptin+metformin) in Russia as the very first generics. Furthermore, we introduced the new sachet formulation of Groprinosine (inosine pranobex) antiviral treatment in the respiratory category.

Among the established products, Mydeton Long (tolperisone) and Ekvamer (amlodipine+lisinopril +rosuvastatin) launch on Eastern-European markets stand out from the value-added products.

# 6. Overview of R&D

## 6.1. General Overview

Research and development have always played an important role in the Company's life, with top priorities of research of original drug molecules, new product launches and innovation in the Company's strategy since its foundation in 1901. Gedeon Richter Plc, with more than 1,200 employees in the field of research and development, remains the most significant pharmaceutical research base in the Central and Eastern European region. Pharmaceutical R&D at the Company embraces four strategic areas, notably recombinant biotechnological activities, research and development of new chemical entities (NCEs), late-stage women's healthcare projects, and generic product developments.

Our goal is to maintain or improve research and development cost efficiency, therefore all R&D decisions are preceded by detailed marketing and financial analysis. Keeping the focus on our central nervous system research portfolio and controlling the expenses, our goal is to create a clinical pipeline as strong as possible. In order to do this, we close projects which could result in products with low probability of reaching the market, and due to our limited resources, we look for partners at an early stage for projects which seem to be more successful. To adjust our original research activities to the valid strategic requirements, we continue to focus our activity on the development of drugs for psychiatric diseases. It is obvious, that we continuously utilise experiences gained during the market presence of cariprazine, the most successful product of R&D, into our research activities, thereby increasing the probability of the newly selected active pharmaceutical ingredients entering the market. There are many different indications for psychiatric diseases, providing a wide range of potential biological targets. Our aim has been unchanged, that is to meet the unmet medical and social need characterising these therapeutic areas via developing small molecule products.

In 2023 we also have devoted significant resources to fulfilling the tasks of the agreement signed with AbbVie in March 2022 which is considered as a milestone in terms of the Company and its NCE research. In the year under review, the clinical development of a jointly selected compound has also successfully started, which is expected to enter phase II status next year. We have also taken successful steps forward in relation to the preclinical R&D part of the agreement, and the cooperation continues effectively.

Similar to the previous years, also in 2023, a number of scientific achievements have been made in the preclinical phase of our NCE R&D process, and several results of our basic research have been published in highly esteemed peer reviewed international journals. We only include new potential drug targets to our research projects, which are characterised as great challenges to be tackled but at the same time representing significant innovative value, and as such these projects can meet the expectations of future potential multinational partners. In order to share the high risks characterising the pharmaceutical research projects and also further increase our scientific knowledge, we are continuously looking for collaboration opportunities, or pursue R&D activity with both domestic and international professional partners.

At the end of 2023, in addition to cariprazine the Company had a research portfolio of 13 ongoing original research projects, one of which is in phase II status and four of them are in phase I, with the remainder in earlier preclinical research and development.

During the year 2023 the Company launched its previously developed Ecosystem project, which purpose is to network the leading domestic research centres important for the Company from an R&D point of view, to operate the network and to utilize any useful ideas that may arise on a business basis. The network contains several so-called nodes, which are at different levels of development, but all of them are connected to the important R&D focus areas of the Company. Thus, it has already started its operation in the field of the neuroinflammation, translational issues and infertility, and we plan to create similar knowledge sharing in other areas as well. With this activity, the Company made it possible for the necessary external knowledge material to be channelled into the R&D areas according to an "open innovation" operating principle.

In 2023, the Company made five new patent applications and continued to foster patent prosecutions and maintenances with a primary focus on cariprazine related patents, the latter of which provides exclusive rights in number of countries worldwide.

## 6.2. R&D activities serving the goals of certain business units

In 2023 there were significant changes in the Company's operation and governance model. The newly formed organization and the changed responsibilities did not leave the operation of the R&D organization untouched. R&D processes and decision points had to be adapted to the new operation based on Business Units. We successfully completed this work in the second half of the period under review, so the following chapters of the report will describe the work dedicated to the different business units. It is important to emphasize that the R&D Directorate continues to bear the responsibility for all original (CNS BU), generic (GM BU) and women healthcare (WHC BU) R&D projects. The two affiliate development units (in Poland and Romania) came under the direct professional management of the directorate, which serve with their resources of formulation development primarily the GM Business Unit's projects. Finished dosage form development of the women healthcare and original projects continues to take place in Budapest. Global Medical Division and the Analytical Department of Biological Samples, both part of the Research Directorate, continuously cooperated with all Business Units, including the Biotech Business Unit, and supported the latter's work in the implementation of clinical trials.

One of the important goals of the **Neuropsychiatry (CNS)** business unit is to ensure the continuation of the success story of cariprazine, to which the R&D has contributed in 2023 by continuation of clinical trials, by medical affairs activity and by execution of finished dosage form developments. The tasks of this Business Unit also include business support of research of new chemical entities, generation and optimal management of partnerships and implementation of business development tasks. The most important task of the R&D Directorate related to this is the research and development of new original CNS active molecules, creating and updating the necessary professional skills and tools, and the management of the projects. In the period under review, we achieved significant progress in the case of several projects, therefore our clinical portfolio has grown to a size never seen before (currently five projects are in clinical phase). One of the bottlenecks on the way to clinical trials is the development of clinical trial materials, the acceleration of which shortens the development time. Thus in 2023 we implemented an installation of a new capsule filling machine that allows for producing clinical trial materials faster and more flexibly, so clinical trials can be started sooner.

The development of **Women's Healthcare (WHC)** projects is still considered as a paramount objective for the Company, as this part of the portfolio is expected to be one of the key drivers of both top line and bottom-line growth in the medium term. In accordance with this aim Research and Development Directorate dedicated significant resources for the further development of the synthesis of active pharmaceutical ingredients and thereby reducing the overall level of their direct costs. It is considered similarly important that during finished dosage form manufacturing technology transfer of late stage licensed products we carried out significant development work, and thus the Company is now able to produce its new, very important gynaecological products on its own, which not only increases the security of supply, but also is a key for keeping costs under control. The Global Medical Division, as a part of the Research and Development Directorate provides the expert background for the activity of the Business Unit with continuous professional support in case of products under development and marketed as well.

In order to assist the progress of the **General Medicines (GM)** business unit, Research and Development Directorate provided support to active pharmaceutical ingredient and finished dosage form development, carried out bioequivalence studies, along with further strengthening the professional scientific integration of the Polish and Transylvanian development sites this year. In the case of one of the most successful products launched in 2023, the Directorate, by ensuring the extreme purity of the product, made it possible to appear as the first generic product and the only one on several markets, which could result in significant sales in the medium term. We are constantly looking for further improvement of the organization's operation, thus laying the foundation for the growth ambitions of this business unit.

Please refer to Chapter III. 4.3 '**Biotechnology'** above for further information related to biosimilar R&D activities.

# VI. Business Review

## 1. Economic Environment

The most serious economic risk to the global economy in winter 2022/23 was the fear of a supply crisis, notably in the area of energy — especially natural gas — and other raw materials. This fear was particularly strong in Europe because many European economies are dependent on imports of raw materials. The feared supply bottlenecks did not arise in Europe. There are several reasons for this: efficient use of raw materials, energy imports from new supplier countries and, finally, a mild winter that kept demand for heating energy low. Even though energy and commodity prices fell during 2023, they are still significantly above the level of the last 15 years. It can be assumed that they will remain above the pre-crisis level (i.e., energy prices before the coronavirus pandemic and the Russian attack on Ukraine) in the coming years.

In 2023, the effects of inflation, rising interest rates, tight labour markets, the war in Ukraine, the climate crisis and rapidly changing macroeconomic conditions created uncertainty and worsened the economic outlook in the global economy. Central banks around the world have increased interest rates across 2022 and 2023 to try and tackle inflation, while attempting to balance this with a need to maintain growth. The main risk is a renewed uptick in consumer price inflation. Particularly at risk are the US and the Euro Area, where real policy rates are trending at the highest levels since January 2008. Keeping rates higher, for even longer, could weigh on economies more significantly, turning mild recessions into deeper ones. Global monetary tightening has exacerbated fiscal and debt vulnerabilities in developing countries. Rising borrowing costs and a strong dollar have increased debt-servicing burdens and debt default risks.

The global economic recovery in 2023 differed from region to region. The growth-dampening effect is particularly strong in countries that are characterised by a high proportion of industrial production in the overall economy. As industrial products are generally more energy-intensive than, for example, services, above-average declines in production – compared to a situation with lower commodity prices – are to be expected here.

The situation of the world economy is now better than a year ago, as the risk of a global recession has decreased mainly owing to the stability of the American economy – notes a report published by experts at the World Bank. However, the increasing geopolitical tensions in the near future pose new threats to the world economy. The document emphasized that the medium-term outlook for many emerging economies has deteriorated amid slowing growth in most major economies, stagnant global trade and the biggest tightening of credit in decades.

The World Bank expects that in 2024 the growth of global trade will be only half of the average of the decade before the pandemic. Therefore, global economic growth is forecast to slow for the third consecutive year, from 2.6 percent last year to 2.4 percent in 2024. Meanwhile, the growth of advanced economies will slow to 1.2 percent this year from 1.5 percent in 2023.

The World Bank improved its forecast for global economic growth in 2023 to 2.6 percent.

# 2. Industry Environment

The pharmaceutical industry has been undergoing a significant transformation over the past years, also triggered by the COVID-19 pandemic. The rise of digital health technologies together with changing consumer behaviour was complemented by an accelerated technological transformation offering a broad range of opportunities across all sectors of the industry. All these favourable circumstances were, however accompanied by some unpredictable impacts on the business.

Global economic uncertainties and geopolitical tension did not only restrain investments, slow down market expansion and impact on overall business stability, they also imposed on companies a re-evaluation of their business models, compelling them to establish a more cooperative approach to global health challenges. Consequently, pharmaceutical companies put a great emphasis during the past year on the rationalisation of their operations and pipelines. The focus is no longer exclusively on the expansion or diversification of product portfolios but also on highlighting therapeutic areas (e.g., rare diseases), by the divesture of less profitable business units and/or acquisition of more promising products/companies better aligned to their new, restructured business model ultimately leading to improved competitiveness.

Several new technologies and innovative therapies have shaped the product landscape during the past decade. Biological medicines have become more and more widespread. The gene and cell therapies focus not only on the treatment and cure but also on the triggers of genetical and acquired diseases. Precision medicine intends to promote more accurate and tailor-made treatments for patients in contrast to earlier practices targeting average patient groups. Digitalisation also plays an increasing role in the pharmaceutical industry. Alongside automated manufacturing and processes, artificial intelligence (AI), machine learning (ML) and big data analysis all can enable more efficient and faster drug development by designing new compounds, predicting drug safety, identifying potential candidates, or simply speeding up the development process itself. In addition, digitalisation can also contribute to a better understanding of patients' needs, to improve medication adherence and compliance or even to a more precise design of new products and services.

The pharma industry has also been affected by the broader global trends of supply chain disruptions, inflation, and workforce shortage. Following the COVID-19 pandemic, it has become a fundamental objective for companies in all sectors to improve the resilience of their global supply chains by diversification and increased domestic production to mitigate potential future risks. According to economic experts, inflation is expected to remain at higher levels in the upcoming period, although global inflationary pressure declined slightly by the end of 2023. Hiring and retaining talented workforce has also become more challenging in the past few years, posing new challenges to the industry. A more pronounced economic and geopolitical volatility together with social and environmental tensions have reshaped the labour market. One of the most significant challenges is to encourage more young people to pursue a career in the STEM (Science, Technology, Engineering and Mathematics) fields. Innovation is a key driver for pharmaceutical industry and without a properly qualified scientific workforce companies face obstacles to strengthen their position and competitiveness.

Healthcare policy landscape is also changing. Increased state interventions, new legislations and regulations create new pressures on pharmaceutical manufacturers globally. The Inflation Reduction Act (IRA) effective from 2026 will significantly change the outlook of prescription drug pricing and patient access in Medicare in the USA. According to the act, price increases in Medicare will be limited to inflation. The European Union has also started to review its legal framework on medicines with the aim of improving access and affordability of safe and effective drugs, and to offer a more appealing and innovation-friendly environment for research, development, and production in Europe. The Chinese Government has initiated a volume-based procurement programme to reduce the price of reimbursed medicines. The difficulties of market access, pricing pressure, reimbursement issues and the protectionist trade policies impose additional burdens on manufacturing networks and may ultimately lead to increased regionalization.

# 3. Group turnover

Consolidated turnover in 2023 at HUF 805,158m remained virtually unchanged when compared with turnover achieved in the base year as a result of Pharma sales exceeding figures reported in 2022 by 13.9 percent, which was largely offset by declining Wholesale and retail figures subsequent to the divestiture of the Romanian W&R business in May 2023.

# 4. Turnover of Pharmaceutical Segment

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **448,084** | **422,730** | **6.0** | **1,173.1** | **1,073.8** |
| WEU | 135,198 | 115,131 | 17.4 | 354.0 | 292.5 |
| CEU | 148,344 | 133,149 | 11.4 | 388.4 | 338.2 |
| EEU | 164,542 | 174,450 | -5.7 | 430.7 | 443.1 |
| **NORTHAM** | **221,169** | **165,959** | **33.3** | **579.0** | **421.5** |
| **LATAM** | **26,864** | **22,138** | **21.3** | **70.4** | **56.2** |
| **APAC** | **43,067** | **39,077** | **10.2** | **112.7** | **99.3** |
| **ROW** | **8,262** | **6,439** | **28.3** | **21.6** | **16.4** |
| **Total** | **747,446** | **656,343** | **13.9** | **1,956.8** | **1,667.2** |

Approximate exchange rate loss at Pharma sales level in 2023: HUF -50.6bn

# 5. Turnover of Top 10 markets

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| **Top10 markets** | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| USA | 216,824 | 162,148 | 33.7 | 567.6 | 411.9 |
| Russia | 116,893 | 129,066 | -9.4 | 306.0 | 327.8 |
| Hungary | 52,170 | 45,748 | 14.0 | 136.6 | 116.2 |
| Poland | 35,595 | 32,324 | 10.1 | 93.2 | 82.1 |
| Germany | 28,938 | 26,194 | 10.5 | 75.8 | 66.5 |
| Spain | 24,039 | 20,696 | 16.2 | 62.9 | 52.6 |
| China | 24,025 | 21,712 | 10.7 | 62.9 | 55.2 |
| Romania | 17,581 | 14,992 | 17.3 | 46.0 | 38.1 |
| Italy | 16,475 | 14,724 | 11.9 | 43.2 | 37.4 |
| France | 15,624 | 14,790 | 5.6 | 40.9 | 37.6 |
| **Total Top 10** | **548,164** | **482,394** | **13.6** | **1,435.1** | **1,225.4** |
| **Total Sales** | **747,446** | **656,343** | **13.9** | **1,956.8** | **1,667.2** |
| **Total Top 10 / Total Sales %** | | | | **73.3** | **73.5** |

# 6. Neuropsychiatry (CNS) Business Unit

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 |
| | 12 months to December | | % | 12 months to December | |
| Cariprazine | 205,662 | 145,902 | 41.0 | 538.4 | 370.6 |
| VRAYLAR® royalty (USA) | 194,284 | 138,114 | 40.7 | 508.6 | 350.8 |
| VRAYLAR® royalty (CA) | 207 | 43 | 381.4 | 0.6 | 0.1 |
| VRAYLAR® royalty (PR) | 84 | 0 | n.a. | 0.2 | 0.0 |
| REAGILA® | 11,087 | 7,745 | 43.2 | 29.0 | 19.7 |

Cariprazine, our flagship product discovered by Richter scientists in the early 2000s was launched in 2016 in the USA under the trademark, VRAYLAR®. The product is marketed in Western Europe by Recordati while Richter performs sales and marketing activities for this product in Central Europe and Eastern Europe under the brand name REAGILA®. Richter has signed a number of bilateral agreements to commercialize REAGILA® in other non-European markets.

About 95 percent of the product turnover originates in North America and is denominated in USD. VRAYLAR® royalty income due to Richter in 2023 amounted to HUF 194,575m (USD 524.8m). The figures above also include royalty income paid on AbbVie sales recorded in Canada.

Proceeds from REAGILA® amounted to HUF 11,087m (EUR 29.0m) during the reported year.

**Global reach**

Altogether by the end of 2023 cariprazine was available in 64 countries globally including the USA and Hungary, with reimbursement status in most countries.

# 7. Women's Healthcare (WHC) Business Unit

| Sales by products | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 |
| | 12 months to December | | % | 12 months to December | |
| WHC | 255,673 | 230,091 | 11.1 | 669.3 | 584.5 |
| OCs | 137,112 | 129,020 | 6.3 | 359.0 | 327.7 |
| out of which DROVELIS® | 11,948 | 6,290 | 90.0 | 31.3 | 16.0 |
| EVRA® | 30,145 | 28,759 | 4.8 | 78.9 | 73.1 |
| BEMFOLA® | 21,996 | 21,627 | 1.7 | 57.6 | 54.9 |
| CYCLOGEST® | 5,957 | 4,173 | 42.7 | 15.6 | 10.6 |
| RYEQO® | 6,571 | 2,013 | 226.4 | 17.2 | 5.1 |
| LENZETTO® | 7,486 | 5,875 | 27.4 | 19.6 | 14.9 |

| Sales by geographies | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 |
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **187,763** | **170,497** | **10.1** | **491.6** | **433.1** |
| **WEU** | **95,031** | **79,962** | **18.8** | **248.8** | **203.1** |
| Spain | 17,217 | 14,290 | 20.5 | 45.1 | 36.3 |
| Germany | 16,620 | 14,414 | 15.3 | 43.5 | 36.6 |
| Italy | 13,172 | 12,403 | 6.2 | 34.5 | 31.5 |
| UK | 12,778 | 9,211 | 38.7 | 33.5 | 23.4 |
| France | 11,139 | 10,155 | 9.7 | 29.2 | 25.8 |
| **CEU** | **35,412** | **31,773** | **11.5** | **92.7** | **80.7** |
| Poland | 12,378 | 10,817 | 14.4 | 32.4 | 27.5 |
| **EEU** | **57,320** | **58,762** | **-2.5** | **150.1** | **149.3** |
| Russia | 46,597 | 50,162 | -7.1 | 122.0 | 127.4 |
| **NORTHAM** | **14,795** | **14,995** | **-1.3** | **38.7** | **38.1** |
| USA | 11,775 | 11,692 | 0.7 | 30.8 | 29.7 |
| **LATAM** | **23,007** | **19,399** | **18.6** | **60.2** | **49.2** |
| Mexico | 8,644 | 9,180 | -5.8 | 22.6 | 23.3 |
| **APAC** | **24,855** | **21,322** | **16.6** | **65.0** | **54.2** |
| China | 19,582 | 16,704 | 17.2 | 51.3 | 42.4 |
| **ROW** | **5,253** | **3,878** | **35.5** | **13.8** | **9.9** |
| **Total** | **255,673** | **230,091** | **11.1** | **669.3** | **584.5** |

Sales of the WHC product group increased primarily due to the higher turnover of oral contraceptives together with direct sales income received from RYEQO®, LENZETTO® and EVRA®. DROVELIS®, launched in 2021, also contributed materially to sales growth achieved during the reported year. Sales of DROVELIS® grew primarily in Western Europe notably in Germany, Italy and Spain. The product also showed strong performance during the reported year, alongside the entire WHC portfolio in Russia on the back of certain price increases among other factors.

**Portfolio management**

Most important products / product groups belonging to this business unit and launched during the last reported quarter in one or more new markets within the respective regions, were as follows:

| | EUROPE | | | NORTHAM | LATAM | APAC | ROW |
|---|---|---|---|---|---|---|---|
| **Product / Product group** | WEU | CEU | EEU | | | | |
| OCs | X | | | | | X | |
| DROVELIS® | | | X | | | X | |
| EVRA® | | | | | X | | |
| RYEQO® | | X | | | | | |
| LENZETTO® | | | X | | | | |
| GISKIT | X | X | X | X | X | X | X |
| Other WHC products | X | X | | | | | |

**Turnover of key WHC products by geographies**

**BEMFOLA®**

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **20,619** | **19,558** | **5.4** | **54.0** | **49.7** |
| WEU | 17,597 | 16,365 | 7.5 | 46.1 | 41.6 |
| CEU | 2,953 | 3,200 | -7.7 | 7.7 | 8.1 |
| EEU | 69 | -7 | n.a. | 0.2 | 0.0 |
| **LATAM** | **622** | **268** | **132.1** | **1.6** | **0.6** |
| **APAC** | **755** | **1,801** | **-58.1** | **2.0** | **4.6** |
| **Total** | **21,996** | **21,627** | **1.7** | **57.6** | **54.9** |

Higher sales of BEMFOLA® were achieved primarily in Spain, Greece, France and Italy, being partly offset by lower turnover experienced in South Korea and Australia. Sales of this product to Czech Republic also fell behind performance recorded in 2022.

**EVRA®**

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **13,474** | **12,864** | **4.7** | **35.3** | **32.7** |
| WEU | 9,916 | 9,659 | 2.7 | 26.0 | 24.5 |
| CEU | 2,889 | 2,594 | 11.4 | 7.6 | 6.6 |
| EEU | 669 | 611 | 9.5 | 1.7 | 1.6 |
| **NORTHAM** | **2,858** | **3,161** | **-9.6** | **7.5** | **8.0** |
| **LATAM** | **11,379** | **10,904** | **4.4** | **29.8** | **27.7** |
| **APAC** | **35** | **237** | **-85.2** | **0.1** | **0.6** |
| **ROW** | **2,399** | **1,593** | **50.6** | **6.2** | **4.1** |
| **Total** | **30,145** | **28,759** | **4.8** | **78.9** | **73.1** |

The agreements concluded in 2021 with Janssen Pharmaceutica NV provided for post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. In the reported year EVRA® ranked 3rd on our Top10 products list. A significant increase in the turnover of this product reported in RoW region was driven primarily by higher sales levels achieved in Saudi Arabia. Turnover increase in the latter was a result of commencing direct sales in this country. In addition turnover also grew in some Western European countries.

# 8. Biotechnology (BIO) Business Unit

**Turnover of teriparatide**

Total sales proceeds from teriparatide amounted to HUF 21,682m (EUR 56.8m) in 2023. Sales proceeds from Japan contributed HUF 3,964m representing 18 percent of total sales achieved by the product.

| | HUFm | | | EURm | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **17,043** | **16,795** | **1.5** | **44.6** | **42.7** |
| WEU | 15,244 | 15,551 | -2.0 | 39.9 | 39.5 |
| CEU | 1,799 | 1,244 | 44.6 | 4.7 | 3.2 |
| **LATAM** | **295** | **1** | **n.a.** | **0.8** | **0.0** |
| **APAC** | **4,227** | **3,953** | **6.9** | **11.1** | **10.0** |
| **ROW** | **117** | **162** | **-27.6** | **0.3** | **0.4** |
| **Total** | **21,682** | **20,911** | **3.7** | **56.8** | **53.1** |

**Turnover of CDMO projects**

Sales of the Biotechnology Business Unit includes HUF 24,519m (EUR 64.2m) of CDMO projects in addition to turnover of teriparatide. These figures increased by 20.9 percent in HUF terms (by 24.7 percent in EUR terms) when compared to 2022.

**Events following the closure of the reported year**

On 29 January 2024 Richter announced that based on an already established trustful collaboration between the parties, it became a strategic investor in Germany based Formycon AG via a cash capital increase in the amount of 9.08 percent of Formycon's share capital. This transaction is expected to open-up the possibility of jointly leveraging long-term strategic opportunities across development, manufacturing and commercial value streams.

On 6th March 2024 Richter announced that it has signed an agreement with HELM AG, a Germany-based stock corporation to buy 50% stake in Richter-Helm BioTec GmbH & Co. KG ("RHT"); and 30% stake in Richter-Helm BioLogics GmbH & Co. KG. ("RHB") to become 100% owner of both companies. Under the terms of the agreement Richter will pay EUR 112.4 million altogether. The purchase prices are due on the closure of the transaction pending the merger clearance by both the German and Hungarian competition authorities and other conditions set out in the agreement. On top of the purchase price of RHT, Richter will pay a further earnout scheme in respect of 2025-2029, subject to the performance of RHT.

# 9. General Medicines (GM) Business Unit

| Sales by geographies | HUFm 2023 | HUFm 2022 | Change | EURm 2023 | EURm 2022 |
|---|---|---|---|---|---|
| | 12 months to December | | % | 12 months to December | |
| **EUROPE** | **211,970** | **211,344** | **0.3** | **554.9** | **536.8** |
| **CEU** | **103,531** | **94,395** | **9.7** | **271.1** | **239.7** |
| Hungary | 44,132 | 39,327 | 12.2 | 115.5 | 99.9 |
| Poland | 21,848 | 20,810 | 5.0 | 57.2 | 52.9 |
| Romania | 13,915 | 11,903 | 16.9 | 36.4 | 30.2 |
| **EEU** | **105,116** | **114,363** | **-8.1** | **275.1** | **290.5** |
| Russia | 68,496 | 77,813 | -12.0 | 179.3 | 197.7 |
| Kazakhstan | 8,401 | 7,586 | 10.8 | 22.0 | 19.3 |
| Ukraine | 7,189 | 8,095 | -11.2 | 18.8 | 20.6 |
| Uzbekistan | 7,374 | 7,837 | -5.9 | 19.3 | 19.9 |
| **ALL OTHER REGIONS*** | **14,918** | **13,688** | **9.0** | **39.1** | **34.8** |
| **Total** | **226,888** | **225,032** | **0.8** | **594.0** | **571.6** |

* Note: All other regions include LATAM, APAC and ROW regions.

### Hungary

The underlying market increased by 10.4 percent in value terms, while retail sales growth of Richter products at 13.5 percent exceeded the overall market performance according to the latest available IQVIA data. The Company now ranks fourth amongst players in the Hungarian pharmaceutical market with a market share of 4.7 percent. Taking into account the prescription drugs retail market alone, Richter qualifies for second place with a market share of 7.4 percent.[1]

### Poland

Turnover in Poland increased by 5.0 percent in HUF terms, or 3.9 percent in PLN terms in 2023 and totalled HUF 21,848m (PLN 260.2m). Sales of our antiviral product contributed the most to the higher turnover realised on this market.

### Romania

General Medicines sales in Romania were HUF 13,915m (RON 180.4m) in 2023. Sales increased by 16.9 percent (20.0 percent in RON terms) primarily driven by certain price increases implemented in the second half 2023.

### Russia

Sales to Russia at HUF 68,496m (RUB 15,782.5m) declined by 12.0 percent in HUF terms (increased by 16.8 percent in RUB terms). The exchange rate of RUB against the HUF declined on an average by 24.7 percent compared to 2022. Notwithstanding a volatile market environment presenting unforeseeable risks connected to the ongoing war and the subsequent sanctions imposed on Russia, business operations prevailed broadly at levels experienced prior to the war. Sales in this business unit were primarily driven by cardiovascular and rheumatology products.

Price increases impacted our year-on-year performance achieved during the reported year on this market by an average of 4.4 percent implemented on our portfolio of non-EDL drugs. Nearly stagnating volumes at the wholesaler level were therefore complemented by the higher prices applied.

In-market sales figures (IQVIA, data for the first eleven months 2023) suggest that retail sales recorded in RUB terms by Richter products increased by 8.6 percent significantly exceeding overall

[1] Market intelligence figures comprise the entire product portfolio, not only those belonging to GM Business Unit.

market growth at 3.1 percent in RUB terms, primarily related to price increases implemented by manufacturers and distributors.[1]

**Ukraine**

Sales reported in Ukraine in 2023, at HUF 7,189m (EUR 18.8m) fell behind turnover realised in 2022 by 11.2 percent (8.5 percent in EUR terms).

Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 53 of our products was initiated in October 2022 on this legal basis. Authorities warned the Company that should it maintain its Russian manufacturing base, marketing authorizations will be revoked in respect of 10 Richter brands sold in 29 different formulations with effect from early 2025. Richter is going to legally challenge this decision.

## 10. Selected consolidated business metrics

| **Selected consolidated business metrics** | **HUFm** | | | **EURm** | |
|---|---|---|---|---|---|
| | **2023** | **2022** | **Change** | **2023** | **2022** |
| | 12 months to December | | % | 12 months to December | |
| Revenues | 805,158 | 802,755 | 0.3 | 2,107.9 | 2,039.1 |
| Gross profit | 521,324 | 460,464 | 13.2 | 1,364.8 | 1,169.6 |
| Gross margin (%) | 64.7 | 57.4 | | | |
| **EBIT** | **189,364** | **153,555** | **23.3** | **495.7** | **390.1** |
| EBIT margin (%) | 23.5 | 19.1 | | | |
| Clean EBIT* | 235,335 | 205,901 | 14.3 | 616.1 | 523.1 |
| Clean EBIT margin (%) | 29,2 | 25,6 | | | |
| Net profit** | 158,850 | 169,076 | -6.0 | 415.9 | 429.5 |
| Free cash-flow | 86,554 | 140,183 | -38.3 | 226.6 | 356.1 |
| CAPEX | 94,639 | 71,579 | 32.2 | 247.8 | 181.8 |
| EPS (HUF, EUR) | 860 | 907 | -5.2 | 2.25 | 2.30 |
| ROE (%) | 14.1 | 15.9 | | | |
| Cash conversion cycle (days) | 255.5 | 194.0 | 31.7 | | |

Notes:

* Clean EBIT (cEBIT) = Gross profit less Operating Expenses (S&M, G&A, R&D) less Claw-back expenses plus milestone income.

** Net profit: Profit attributable to the owners of the parent

# 11. Business units – main P&L items

| | Pharmaceuticals | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Neuropsychiatry (CNS) | | General Medicines (GM) | | Women's Healthcare (WHC) | | Biotechnology (BIO) | | Pharma other | | Total | |
| | 12 months to December | | 12 months to December | | 12 months to December | | 12 months to December | | 12 months to December | | 12 months to December | |
| | 2023 Not audited | 2022 Not audited | 2023 Not audited | 2022 Not audited | 2023 Not audited | 2022 Not audited | 2023 Not audited | 2022 Not audited | 2023 Not audited | 2022 Not audited | 2023 Not audited | 2022 Not audited |
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Revenues** | **205,662** | **145,902** | **226,888** | **225,916** | **255,673** | **229,206** | **46,201** | **41,185** | **13,022** | **14,134** | **747,446** | **656,343** |
| Cost of sales | (1,249) | (736) | (105,142) | (101,935) | (86,348) | (66,543) | (29,419) | (27,827) | (11,291) | (11,847) | (233,449) | (208,888) |
| *Gross profit* | *204,413* | *145,166* | *121,746* | *123,981* | *169,325* | *162,663* | *16,782* | *13,358* | *1,731* | *2,287* | *513,997* | *447,455* |
| Sales and marketing expenses | (3,374) | (3,177) | (45,229) | (48,493) | (84,937) | (79,641) | (6,638) | (6,121) | (1,265) | (1,159) | (141,443) | (138,591) |
| Administration and general expenses | (770) | (377) | (19,744) | (13,609) | (21,193) | (13,366) | (4,052) | (2,315) | (1,082) | (851) | (46,841) | (30,518) |
| Research and development expenses | (24,737) | (21,951) | (10,627) | (9,392) | (16,409) | (18,984) | (26,571) | (24,782) | - | - | (78,344) | (75,109) |
| Claw-back | (726) | (425) | (2,827) | (2,169) | (7,366) | (4,783) | (704) | (350) | - | - | (11,623) | (7,727) |
| Milestone | 81 | 10,616 | - | - | 8 | 7 | 508 | - | - | - | 597 | 10,623 |
| **Clean EBIT** | **174,887** | **129,852** | **43,319** | **50,318** | **39,428** | **45,896** | **(20,675)** | **(20,210)** | **(616)** | **277** | **236,343** | **206,133** |
| ***Ratios*** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| ***Gross margin*** | **99.4** | **99.5** | **53.7** | **54.9** | **66.2** | **71.0** | **36.3** | **32.4** | **13.3** | **16.2** | **68.8** | **68.2** |
| ***Clean EBIT margin*** | **85.0** | **89.0** | **19.1** | **22.3** | **15.4** | **20.0** | **-44.8** | **-49.1** | **-4.7** | **2.0** | **31.6** | **31.4** |

**Note:**

The items of the Pharmaceutical segment's profit and loss statement are allocated into strategic focus areas by product group, where direct correspondence is possible. For the other items, the Richter Group uses allocation keys based on historical data and management accounting estimation.

# 12. Business segments – main P&L items

| | Pharmaceuticals | | Other* | | Eliminations | | Group total | |
|---|---|---|---|---|---|---|---|---|
| | 12 months to December | | 12 months to December | | 12 months to December | | 12 months to December | |
| | 2023 Not audited HUFm | 2022 Not audited HUFm | 2023 Not audited HUFm | 2022 Not audited HUFm | 2023 Not audited HUFm | 2022 Not audited HUFm | 2023 Not audited HUFm | 2022 Not audited HUFm |
| **Revenues** | **747,446** | **656,343** | **70,874** | **164,287** | **(13,162)** | **(17,875)** | **805,158** | **802,755** |
| Cost of sales | (233,449) | (208,888) | (63,223) | (151,297) | 12,838 | 17,894 | (283,834) | (342,291) |
| *Gross profit* | *513,997* | *447,455* | *7,651* | *12,990* | *(324)* | *19* | *521,324* | *460,464* |
| Sales and marketing expenses | (141,443) | (138,591) | (4,604) | (8,896) | - | - | (146,047) | (147,487) |
| Administration and general expenses | (46,841) | (30,518) | (3,731) | (4,345) | - | - | (50,572) | (34,863) |
| Research and development expenses | (78,344) | (75,109) | - | - | - | - | (78,344) | (75,109) |
| Claw-back | (11,623) | (7,727) | - | - | - | - | (11,623) | (7,727) |
| Milestone | 597 | 10,623 | - | - | - | - | 597 | 10,623 |
| **Clean EBIT** | **236,343** | **206,133** | **(684)** | **(251)** | **(324)** | **19** | **235,335** | **205,901** |
| ***Ratios*** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| ***Gross margin*** | **68.8** | **68.2** | **10.8** | **7.9** | **2.5** | **-0.1** | **64.7** | **57.4** |
| ***Clean EBIT margin*** | **31.6** | **31.4** | **-1.0** | **-0.2** | **2.5** | **-0.1** | **29.2** | **25.6** |

* **Note** on previous Wholesale and retail segment performance

As a consequence of Richter's announcement in October 2022 of the divestiture of its Wholesale and retail business in Romania business segments have been reduced to Pharma and Other segment, the latter including the remaining wholesale and retail business of the Group and all other activities that had been previously presented as 'Other' segment. The transaction was closed on 15 May 2023, therefore all financial reports in respect of these Romanian companies only include data in respect of the five months to May 2023.

# 13. Notes to consolidated financial statements

## Balance Sheet items

Subsequent to the divestiture of Romanian Wholesale and retail companies of the Group which was closed on 15 May 2023 assets classified as held for sale and Liabilities directly associated with assets classified as held for sale related to both subsidiaries have been eliminated from the balance sheet.

## Non-current assets

The levels of Property, plant and equipment increased during the reported year as a result of various capital expenditure programmes carried out at the Group including the expansion of biotech CDMO capabilities in Germany and investments realised at Building 6 of the Parent company. The latter project includes capital expenditures linked to the injectables plant, the packaging facility and the automated warehouse. Such expenditures were incurred following investments at our Russian subsidiary being minimised to those strictly necessary projects as a response to the recent geopolitical changes.

Other intangible assets have increased following the acquisition of Donesta®, an HRT product candidate. This item includes the EUR 50m upfront payment executed upon signature, in line with the agreement made with Mithra. In addition to the above this item further increased as a consequence of the acquisition of ExEm Foam® and Gis-Kit assets and their respective global sales rights together with sales and marketing rights attached to WHC products belonging to Irish OC Distributors Ltd (amounting altogether to HUF 25.6bn). The increase was partly offset by impairment losses reported as Other expenses.

Financial assets are denominated in Hungarian Forint, Euro and US dollar currencies with average duration of 1 year, divided into 3 individual portfolios with different maturity profiles.

Vast majority of non-current financial assets are government bonds issued by Republic of Hungary and a minor part is issued by supranational financial institutions and corporates.

Part of financial assets beyond one year relate to ETFs issued by BlackRock and BNP with funds investing exclusively in investment grade corporate bonds.

### Change in value of hedging derivative instruments

| Carrying value (HUF million) | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023 | Change in Q4 2023 | Notes |
|---|---|---|---|---|---|---|---|
| Hedging derivative instruments designated in hedge accounting programs (FVOCI) | -1,704.2 | 8,109.3 | 11,311.4 | 3,703.4 | 9,966.2 | + 6,262.8 | Primarily hedges related to USD Vraylar royalty and gas |
| Hedging derivative instruments not designated in hedge accounting programs (FVTPL) | 205.3 | 3,664.1 | 2,148.5 | -605.9 | -183.5 | + 422.4 | Primarily hedges related to USD denominated financial assets and USD receivables |
| Interest rate swaps (FVTPL) | 4,829.4 | 4,308.0 | 4,401.0 | 4,730.8 | 3,581.0 | - 1,149.8 | |
| **Total** | **3,330.5** | **16,081.4** | **17,860.9** | **7,828.3** | **13,363.7** | **+5,535.4** | |

### Current assets

Inventories increased partly due to higher levels of sales and partly as a consequence of the rebuilding of RUB denominated stocks previously depleted/lost following the break out of the war.

Trade receivables also increased in correlation with higher sales levels recorded.

### Current liabilities

The amount of Other current liabilities and accruals decreased primarily because it included the windfall tax as a liability in respect of 2022. The settlement of this liability was realised during 2023 together with the payment of windfall tax advance levied in respect of 2023.

## P&L items

Exchange rate impact on main consolidated P&L items

During the reported year our business was impacted by exchange rate losses, as follows:

| HUFbn | M12 2023 |
|---|---|
| Sales * | -49.4 |
| Gross profit | -41.2 |
| Operating profit | -23.6 |

For selected average exchange rates prevailing in the reported period see page 56.

Note: * In order to become eligible for ESOT's 2 year performance obligations we disclose that the average revenue for the periods between 2022-2023 denominated in HUF (where foreign exchange revenues are calculated at 2021 average rates and where any intercompany effects are excluded) exceeded the consolidated revenues of 2021 by HUF 119,943m.



## Gross profit and margin

Excluding FX effects Richter's gross profit increased by 22.2%, driven by a 21.6% rise in Pharma segment revenues ex FX, and the drop in the weight in the overall mix of the Wholesale and Retail business as a consequence of the divesture of Romanian W&R operations.

Gross profit was positively impacted by

- overall volume growth and positive product mix changes achieved throughout all business units,
- the increase of turnover proceeds from certain traditional and WHC products, such as oral contraceptives, the latter including Drovelis® and Ryeqo® also contributed to the gross profit expansion,
- robust growth of royalty proceeds in respect of Vraylar®,
- positive impact of CDMO activities at the Biotechnology business unit

while it was negatively impacted by

- movements of exchange rates (primarily RUB). Based on internal management accounting estimates this affected negatively the gross profit by approximately HUF 41.2bn,
- increased production overhead costs related to higher volumes complemented by significantly increased levels of transportation costs.

Gross profit was also positively impacted by a higher amount of royalties received, and direct sales proceeds from Evra®, (+HUF 1.4bn altogether), with gross margins being impacted slightly negatively.

## Amortisation of acquired portfolio

Amortisation of the marketing and intellectual property rights of the OC portfolio acquired from Grünenthal amounted to HUF 4,237m, similar to the figure incurred in the base period.

Amortization of Bemfola amounted to HUF 2,080m, while we accounted for HUF 3,831m in respect of Evra®, HUF 548m in respect of Gis-Kit and HUF 1,274m in respect of OC Distributors Ltd on the same grounds during the reported year.

### Gross margin

| | |
|---|---|
| 64.7% | 57.4% |

Gross margin increased during the reported period when compared to that achieved in 2022 as a result of the previously detailed items. Romanian wholesale and retail businesses were divested as part of a transaction the closure of which occurred on 15 May 2023 and therefore the share of high margin core pharmaceutical activities became more dominant in respect of the operation of the Group.

### Sales and marketing expenses

| | | |
|---|---|---|
| Proportion to sales: | 18.1% | 18.4% |

Sales and marketing expenses slightly decreased on a Group level during the reported period due to the divesture of the Romanian wholesale and retail businesses in May 2023 and the reallocation of certain overheads to Administrative and general expenses amounting to approximately HUF 10bn. Sales and marketing expenses on the pharma level increased primarily in Western Europe due to the sales of our recently launched WHC products being supported by promotion campaigns. In addition, sales and marketing expenses also grew in China and Latin America.

### Administrative and general expenses

These expenses were inflated primarily as a result of the reallocation of overheads from among Sales and marketing expenses in addition to the impact of advisory fees incurred with the aim to improve efficiency.

### Research and development expenses

| | | |
|---|---|---|
| Proportion to sales: | 9.7% | 9.4% |

Higher costs were incurred primarily by the ongoing clinical trials carried out in co-operation with AbbVie together with development programmes executed in the field of biotechnology partly offset by Women's Healthcare.

## Other income and other expenses

### Claw-back

Other income and Other expenses include in 2023 liabilities amounting to HUF 11,623m in respect of the claw-back regimes. Such claw-backs increased primarily in the UK and in Hungary.

### One-off items

Altogether HUF 10,623m milestone income was accounted for in the base year while HUF 597m milestone proceeds were accounted for in 2023.

Extraordinary tax levied on the industry in late December 2022 amounted to HUF 28,259m in 2023.

The Group performs an annual review of its development programmes, consequently it accounted for an impairment loss on certain intangible assets amounting to HUF 4,127m. The corresponding amount was HUF 20.068m accounted for in respect of 2022.

### Profit from operations, EBIT, operating margin and EBITDA

Reported Profit from operations increased during 2023 when compared to the base period. The adverse impact of the extraordinary FX environment amounted to approximately HUF 23.6bn at EBIT in addition to the impact of the windfall tax levied on the industry in late December 2022.

Operating profit ex FX in 2023 exceeded the results achieved in the base period by nearly 40%, reflecting favourable changes in the sales volume and product mix partly offset by unfavourable FX environment (primarily RUB). In addition operating costs were also inflated.

### Operating margin

23.5% 19.1%

### Clean EBIT

Clean EBIT increased by 14.3% during 2023 when compared to the base period.

### EBITDA

HUF 234,931m HUF 196,480m

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

## Notes on free cash flow

Free Cash Flows (FCF) declined when compared to the base year primarily as the combined impact of financial losses, changes in the working capital, and the impact of the payment of extraordinary taxes in respect of both 2022 and 2023 in addition to the effect of an unsubstantial amount of impairment loss accounted for in respect of certain intangible assets.

Operating net cash-flows decreased, but liquidity is sustained based on the current ratio.

## Net financial (loss) / income

Further information on the net financial loss/income are disclosed in Note 6 of the Group's IFRS Consolidated Financial Statements.

### Selected period end exchange rates

| | 31.12.2023 | 30.09.2023 | 30.06.2023 | 31.03.2023 | 31.12.2022 |
|---|---|---|---|---|---|
| EURHUF | 382.78 | 391.25 | 371.13 | 380.99 | 400.25 |
| USDHUF | 346.44 | 368.76 | 342.40 | 349.85 | 375.68 |
| RUBHUF | 3.86 | 3.79 | 3.90 | 4.53 | 5.15 |
| EURRUB | 99.17 | 103.23 | 95.16 | 84.10 | 77.72 |
| EURUSD | 1.10 | 1.06 | 1.08 | 1.09 | 1.07 |

### Selected average exchange rates

| | M12 2023 | M9 2023 | H1 2023 | Q1 2023 | M12 2022 |
|---|---|---|---|---|---|
| EURHUF | 381.98 | 381.88 | 381.01 | 388.61 | 393.68 |
| USDHUF | 353.36 | 352.76 | 352.73 | 362.12 | 375.62 |
| RUBHUF | 4.34 | 4.33 | 4.62 | 4.96 | 5.76 |
| CNYHUF | 49.60 | 49.76 | 50.27 | 52.53 | 55.23 |

## Hedging policy

The management of the foreign exchange rate risk is based on a strategy approved by the Board of Directors. The financial department regularly analyzes the netted group-level risk exposure and the available hedging options.

The Group uses only standard derivative instruments for hedging purposes. Hedging transactions are entered into when the risk situation and potential benefits make it reasonable; only the Parent Company is entitled to conclude them.

| Hedging deal | Purpose of coverage | Open forward portfolio |
|---|---|---|
| FX | The Group applies hedge accounting in accordance with IFRS9 for a part of the transactions covering sales income. In Q4 2023, currency hedging operations were also regularly carried out, and at the end of the quarter, with regard to the USD revenues, the Group registers open rolling hedging transactions for a seven-quarter period (Q4 2023 – Q2 2025) under hedge accounting. | USDHUF currency pair in the amount of USD 338.950m |
| FX | Non hedge accounting - to mitigate the currency revaluation effect in the financial result. | USDHUF currency pair in the amount of USD 21m, and EURHUF currency pair in the amount of EUR 56.6m |
| Energy | From the beginning of 2023, the Group started to hedge the price and FX volatility of gas and electricity purchases linked to TTF's market reference under IFRS9 hedge accounting. The open forward position covers purchases for Q4 the entire calendar year of 2024. | EUR 15.67m |

## 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 2023 the Group reported HUF 4,830m tax expense, which resulted from a HUF 4,904m corporate tax expense, a HUF 23m extraordinary tax expense and a HUF 97m deferred tax income.

Net income margin attributable to owners of the parent

19.7 %          21.1%

Net income attributable to owners of the parent at HUF 158,850m declined by HUF 10,226m when compared to 2022 primarily driven by net financial losses recorded subsequent to the adverse FX environment.

Return on Equity (ROE) is calculated on the cumulative profit / loss for the period of the last four quarters divided by the reported quarter's capital and reserves. The relative decrease of 1.8 percentage points is the consequence of fourth quarter 2022 negative profit being hit by the one-off effect of a Windfall tax, lower level of milestone proceeds and unrealised exchange losses.

## 14. Notes on the share buy-back programme

On 4 April 2023, the Board of Directors of the Company, having considered shareholders' expectations, decided on a 12-month share buyback programme of up to a cumulative maximum amount of HUF 40 billion as part of shareholder remuneration in addition to the proposed dividend as previously announced. The decision was taken in accordance with improving financial results and cash generation of the Company. The implementation of the share repurchase program commenced on 6 April 2023, with the involvement of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt. as investment companies.

Within the share repurchase program the Company has purchased with the cooperation of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt in the Budapest Stock Exchange 3,339,591 treasury shares at an average price of 8,719 HUF/share (average price excluding fees) by 31 December 2023.

The number of treasury shares and shares transferred to ESOT were 3,601,971 on 31 December 2023. Treasury shares include shares owned by the Parent Company.

## 15. Litigation Proceedings

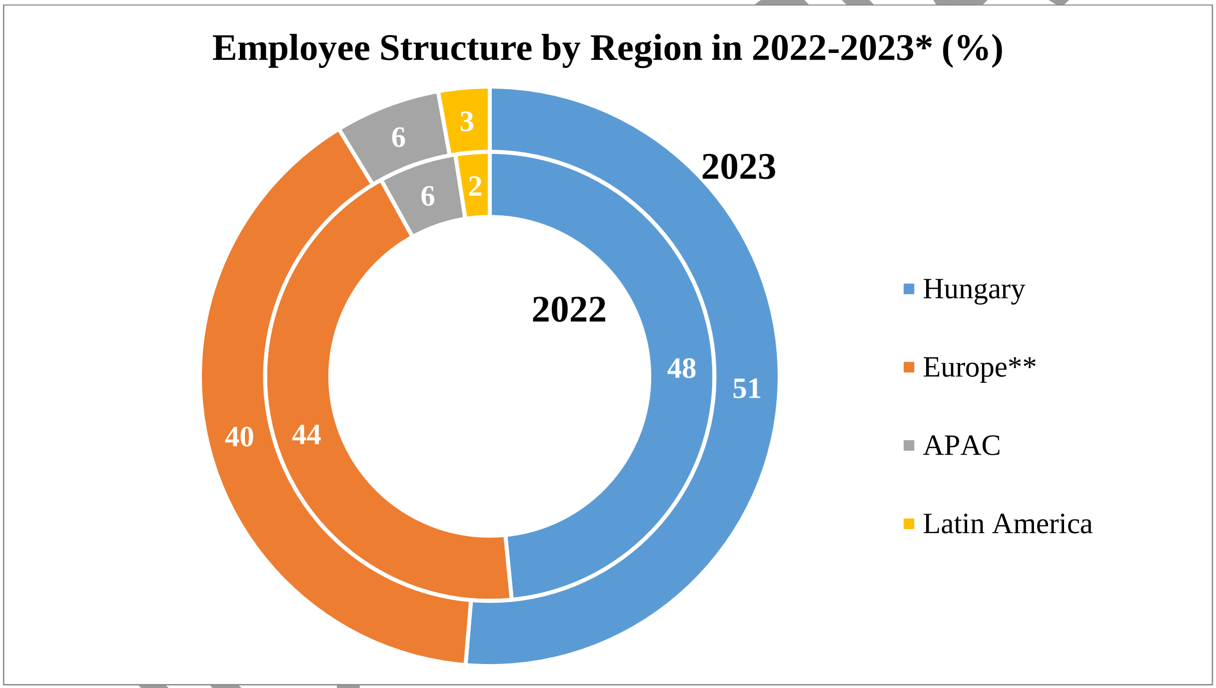
On December 22, 2021, the Company brought an action for infringement of EP 1765342 patent in Budapest-Capital Regional Court against TEVA marketing LISIDIPIN® generic product in the Hungarian market. On May 18, 2022, the Budapest-Capital Regional Court dismissed the relief. In appeal procedure at aural hearing held on November 28, 2023, the Budapest Tribunal dismissed the appeal. The decision may be subject to extraordinary appeal.

# VII. Human Resources

## 1. Employees

Human resources play a crucial role in the achievement of the strategic objectives set by the Company. The skills and intellectual contribution of our colleagues are essential to the delivery of our business strategy. The Company has 5,627 employees working in Hungary, which represents an increase by 84 persons compared to last year.

We highly value the individual talents, expertise and skills of our more than 11,600 employees working globally, who contribute to the Group's success in more than 35 countries around the world. Our aim is to align the skills and talents of our employees with the Company's long-term strategy, and to support Richter in building an efficient and competent organisation that meets its business objectives.



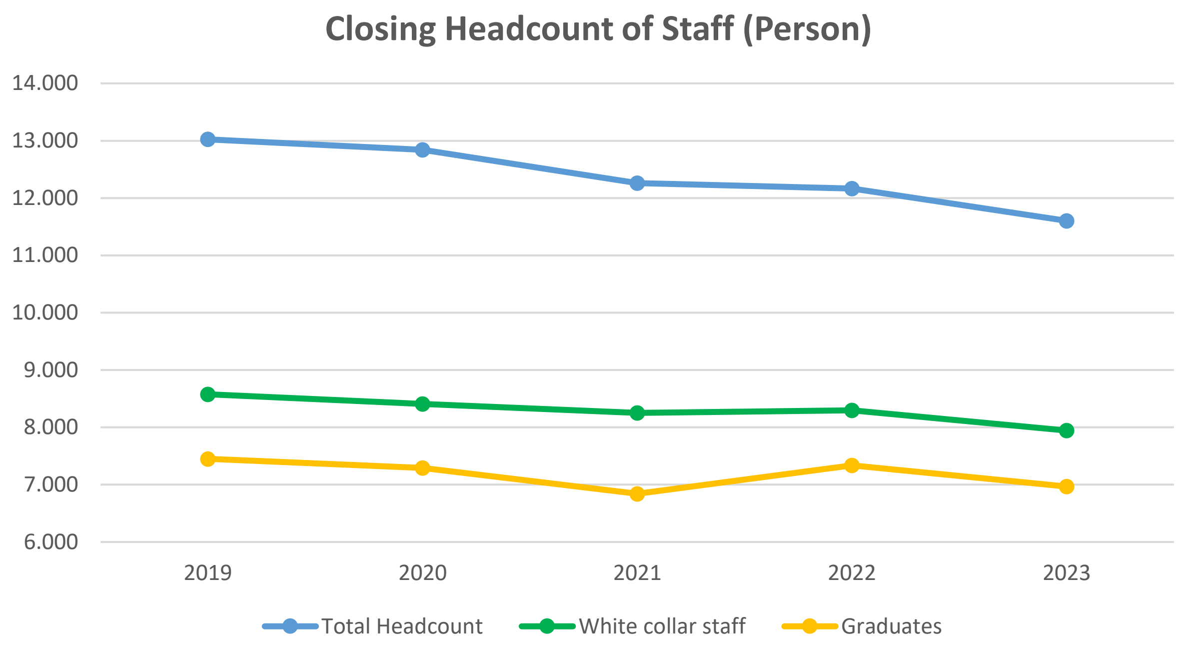

Notes:
* As at 31 December 2022 and 31 December 2023.
** Excluding Hungary.

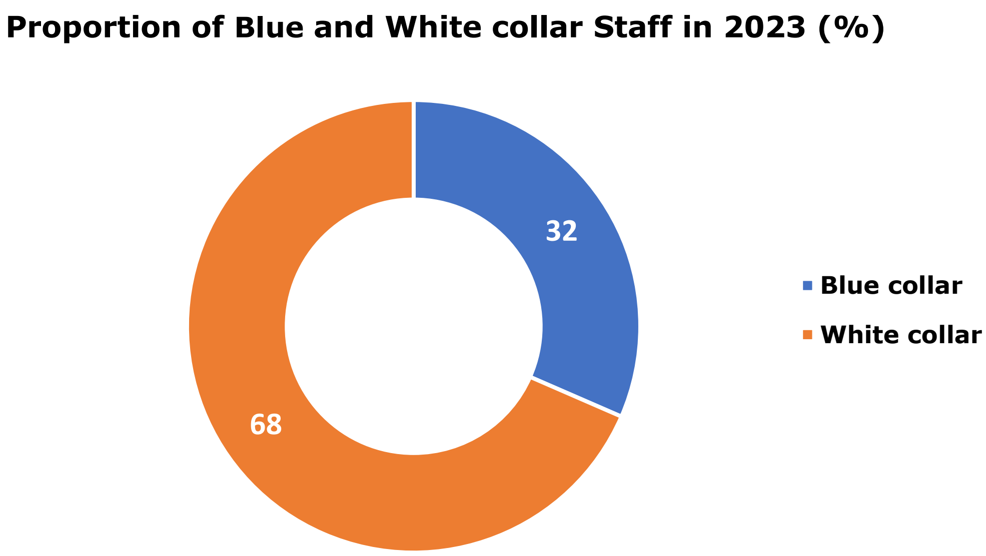
To deliver an excellent business performance, Richter relies on its result-oriented employees who are able to identify with the organisational objectives and contribute their added energy and enthusiasm to the achievement of the tasks set. This is the kind of dedication we seek at Richter. Building on mutual respect, we are committed to the belief that a caring and appreciative organisational culture is the basis for a company's ability to deliver outstanding performance, while monitoring employee development and retention.

## 1.1 Headcount data

The total number of employees of the Richter Group was 11,603 at the end of 2023, which represents a decrease of 564 persons compared to 2022, the main reason for which is the sale of the wholesale and retail business in Romania.

The number of higher-education employees working for the Group decreased by 5 percent to 6,967 in 2023 from 7,334 in 2022. 68 percent of the Richter Group's total workforce is made up of white-collar workers.



## 1.2 Recruitment and selection

In 2023, Gedeon Richter Plc. recruited 717 new employees, including 153 in the research and development departments (21 percent of the total annual recruitment). As Richter is committed to providing an internal career path for talents, 41 percent of the middle management positions opened domestically in 2023 were filled by internal candidates.

Richter is committed to alternative employment opportunities, and therefore it provides opportunities for students and pensioners. We have employed a total of 172 people domestically through student and pensioner associations. During the year, the employment portfolio was expanded to include employment in maternity cooperatives.

To ensure continuity and sustainability of recruitment, we implemented campaigns such as training of managers responsible for hiring, selection for critical jobs based on transferable skills.

# 2. Remuneration System

Commitment to performance and performance centricity constitute the basis of the Company's remuneration principles and practices. Base salary, bonus, as well as share benefits and other forms of benefits contribute to high performance and the achievement of business objectives through the retention of key employees.

In order to provide for the transparency of job roles and to enable employees to build their career path in a more predictable and conscious manner, the RG (Richter Grade) system was introduced in 2020.

The resulting job grades reflect the ascending level of knowledge, problem solving, and responsibility, all of which can be summarised as the complexity of jobs and on the basis of their impact on the company's profitability. We have divided the grades into expert and managerial classes, with certain grades running in parallel – presenting not only managerial but also technical expert career paths.

Certain elements of our remuneration system (e.g., basic wage, bonus) depend on the RG grade of the job.

## 2.1. Remuneration Policy

Our Remuneration Policy sets out the remuneration guidelines for the Company's Board of Directors, Supervisory Board, CEO and Deputy CEO under Act LXVII of 2019, and aims to encourage the performance of the Company's top executives in order to achieve the goals set by the Company and to promote the Company's profitable operation.

The Remuneration Policy is consistent with effective and efficient risk management. It provides no incentive to take risks in excess of the Company's risk appetite limits, is aligned with the Company's business strategy, long-term interests and sustainability, and promotes the achievement and attainment of all the above. The Company's Remuneration Policy is designed to encourage future improvements in the Company's innovation-driven economic performance.

The enhancement of the Company's economic performance will be facilitated by the establishment of a remuneration system that provides a transparent and predictable benefit scheme for individuals covered by the Remuneration Policy, in line with the Company's business strategy.

The Company has a fundamental interest in fair, performance-based and consistent remuneration, aligning remuneration with business objectives, the sustainability of the Company and the interests and values of its employees, in order to provide appropriate motivation and incentives to enhance the commitment and performance of the individuals covered by the Remuneration Policy.

Our Remuneration policy and the Remuneration report based on it can be found on our website at the following link:

https://www.gedeonrichter.com/en/sustainability/governance

**Remuneration of members of the Board of Directors**

Members of the Board of Directors receive a fixed monthly honorarium (fee) in this capacity of theirs. The members of the subcommittees established by the Board of Directors (Corporate Governance and Nomination Subcommittee, Remuneration Subcommittee and ESG Subcommittee) are entitled to receive, in addition to the fixed monthly honorarium, an equal amount of remuneration (meeting fee) per subcommittee meeting attended, capped at an annual level.

The non-executive members of the Board of Directors, who have no legal relationship with the Company other than their membership of the Board of Directors, receive a variable number of Richter ordinary shares, depending on the financial performance of the Company, in addition to the fixed monthly honorarium and the meeting fee. The annual share benefit has two components, with a maximum of 1,500 shares per member. Fifty percent of the benefit is dependent on the annual growth in the sales revenue from Pharmaceutical segment expressed in euros and fifty percent on the annual growth in operating profit from Pharmaceutical manufacturing before special items (Pharmaceuticals OPBSI), again expressed in euros. In the case of both remuneration components, the maximum benefit of 750 shares per capita is granted if the annual growth rate is equal to or above 5 percent. Each 1 percentage point below the 5 percent growth target in the respective component reduces the number of shares to which members are entitled by 150 shares (thus, if the Company does not achieve at least 1 percent annual growth in either performance target, no share benefit is granted).

The share benefit is a long-term incentive for non-executive members of the Board of Directors as variable remuneration. Its purpose is to encourage and maintain non-executive board members' commitment to long-term share price growth and dividend payments in line with the shareholders' interests. For this purpose, the shares granted are subject to a two-year holding obligation (prohibition of disinvestment). This also secures the interest of non-executive members of the Board of Directors in the increase in the price of Richter shares within the two-year holding period.

A further element of the share benefit is a cash benefit paid to non-executive Board members, the amount of which equals the gross sum of the tax(es) and contribution(s) payable by the eligible Board member(s) in connection with the acquisition of the shares under the applicable legislation.

The members of the Board of Directors perform their duties under an agency agreement. The term of office of a member of the Board of Directors as the Company's executive officer shall be for a fixed term as laid down in the General Meeting resolution appointing the Board member concerned. The remuneration of the members of the Board of Directors, fixed by a General Meeting resolution, shall be public.

**Remuneration of members of the Supervisory Board**

Members of the Supervisory Board receive a fixed monthly honorarium (fee) in this capacity of theirs. The Chairperson of the Supervisory Board is entitled to additional remuneration (meeting fee) in addition to the fixed monthly honorarium, at the same rate for each meeting of the Board of Directors attended.

The Company has a three-member Audit Committee, whose members receive additional remuneration (meeting fee) equal to the amount of the Audit Committee meetings they attend but capped at an annual level.

The members of the Supervisory Board perform their duties under an agency agreement. The term of office of a member of the Supervisory Board with the Company shall be for a fixed term as laid down in the General Meeting resolution appointing the member concerned. The remuneration of the members of the Supervisory Board, fixed by a General Meeting resolution, shall be public.

## 2.2. Characteristics of our remuneration system in 2023

We typically implement annual wage increases once a year at Richter Group companies, the level of which depends on inflation trends, the characteristics of the geographic labour market and the operating results of the company concerned.

In the year 2023, inflation continued to place a heavy financial burden on our employees, as in the previous year, and Richter, as a responsible employer, has therefore examined how it can support its employees financially in this situation. In addition to our usual broad-based benefits package, our 2023 year was marked by the following:

The basic wage increase implemented at the parent company with effect from 1 March 2023, with a total increase of 20.3 percent represented the highest percentage wage increase compared to the 2023 wage increase of the large pharmaceutical companies in Hungary. Over the 2-year period covering 2022-2023, this represents a total average wage increase of 33 percent, higher than the wage increase of large employers in Hungary over the same period.

In order to ensure that we make the best contribution to the well-being of our employees to offset the effects of inflation, we have extended our benefits in 2023 with a one-off gross SZÉP card of HUF 200,000.

We have also increased our annual Cafeteria limit from the second half of 2023, and, in addition to the above, we have increased the amount of the schooling support from HUF 35,000 net to HUF 50,000 per child during the year, and also increased the amount of the daily commuting costs reimbursement (from HUF 15 to HUF 30 per km) for those colleagues concerned.

## 2.3. Richter's domestic benefits package

Our Employee Share Plan is a very significant remuneration element and a means of long-term incentivisation: In recognition of their efforts and commitment, our employees have the possibility to receive Richter shares free of charge under the Employee Share Benefit Programme. Depending on the length of employment, our colleagues had the opportunity to receive a minimum of HUF 200,000 and a maximum of HUF 900,000 worth of Richter ordinary shares in 2023.

Also in 2023, an agreement was reached between the Trade Union and the employer on the year-end Extraordinary Reward.

As in previous years, we continued to operate the Cafeteria scheme, which is also available to our part-time employees, unchanged.

We also offer a wide range of fringe benefits beyond the Cafeteria scheme:

- Our company ascribes particular importance to financial self-care, as well as to supporting the preventive health care of employees. In order to encourage financial self-care, we offer a voluntary pension contribution supplement for our colleagues, in addition to the Cafeteria.
- We provide comprehensive life and accident insurance coverage for our employees as early as from the first day of their employment onward.
- Despite changes in tax legislation, we continue to provide our employees with schooling support for children eligible for family allowances.
- Banking agreements: we have agreements with the largest banks to offer discounts to employees with employee accounts.

- Our employees have access to interest-free loans for the construction, purchase and renovation of housing.
- Childcare allowance/benefit (GYES/GYED): These can be applied for in relation to childcare, after resuming active employment, through the Richter Well-being Foundation.
- Our Company recognises employees with more than 10 years of service with a Gedeon Richter Commemorative Card and a financial reward.
- In order to safeguard the health of our employees, Richter provides in-house general practitioner and specialist medical care, as well as private health care services free of charge for its employees through a health insurance partner. As part of our health programme, our employees can participate in a series of specific complex screenings every two years. The programme aims to promote preventive health care, health awareness and early detection of diseases. We also offer an in-house pharmacy service, where our colleagues can pick up preordered prescription and over-the-counter medicines on the spot.
- Our welfare and recreational benefits are also varied:
  - We provide a wide range of sporting opportunities for our colleagues, both at our own sports facilities and through our contracted partners.
  - Our company resorts in five locations around the country are waiting for our employees who wish to relax.
  - We operate company nursery schools in Budapest and Dorog.

Our Balance programme, launched in 2021, has continued to be a great success in 2023, both within the organisation and in the professional community. The aim of the programme is to encourage more people to take action for physical and mental health at Richter and together we are shaping the work environment to facilitate this. We addressed the entire employee community with complex, diverse and meaningful wellbeing activities and new experiential initiatives.

In 2023, we held the Richter Family Day again, with lots of new features and an exciting programme of activities.

**Recognition**

Gedeon Richter Plc has received several awards. In the Zyntern.com job portal's survey of young professionals, Richter was awarded 1st place in the "Medical and Health Sciences" category, 1st place in the "Natural Sciences" category and was also named one of the "TOP15 Most Attractive Employers". In the Randstad recruitment survey, Richter was ranked 1st in the Pharmaceuticals and Chemicals category and 1st in the Pharmaceuticals category in the PwC Awards "Most Attractive Workplace".

# VIII. Risk Management and Internal Control of the Company

## 1. Risk Management

### 1.1. Common Risks

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

Elements of the comprehensive risk management model at the Company are as follows:

- The Board of Directors is responsible for the supervision and management of risk management activity;
- Managers are responsible for the management of strategic risks;
- The Russian-Ukrainian war is a major risk for our Company. Related challenges, short-term and long-term risks have been continuously managed by the Company's management and the relevant functions since the outbreak of the war;
- Leaders of corporate functional units are responsible for the management of operational risks within their scope of activity, while several areas (Quality Management, Regulatory Affairs, IT, HR, Legal, PR, etc.) manages various cross-functional risks;
- The Company continuously develops its enterprise risk management system and operates a separate risk management unit. This risk management area brings together and coordinates the management of strategic, operational and financial risks. It develops the risk management framework (regulation, responsibilities, processes, training, reports, etc.) The main elements of the risk management activity are the assessment of strategic risks, the risk and control self-assessment of all main processes and activities, building and managing a risk event database, forming a system of key risk indicators, management of business continuity risks, limit system related to financial risks, analyses, monitoring, management of liquidity, currency, interest, partner and credit risks;
- In order to support business continuity, the Company operates an integrated business continuity system, which it continuously develops;
- Compliance risks are mitigated in a centralized way;
- The adequacy of internal risk management procedures is monitored by the Audit Department in accordance with an approved annual plan and reports on the efficiency of the internal controls in place are delivered at least once a year to the Supervisory Board and the Audit Committee;
- The internal audit, risk, compliance, IT security functions, as internal lines of defense cooperate in order to reduce the risk exposures of the Company.
- The PR and government relations area manages the reputational risks with special focus, the procedure for handling potential crisis communication situations is laid down in the Company's crisis communication regulations.

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

Most important risk factors of Richter Group are shown on the next pages of the Report, where the increasing, decreasing or unchanging risks are also displayed.

## Strategic Risks

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| The outstanding contribution of Cariprazine to the profits of the Company results in a concentration risk of the income side | The contribution of Cariprazine depends crucially on the turnover recorded by our US partner, the US pricing environment, the occurrence of possible adverse side effects, the introduction of a new competing medicine;<br>Price decline risk from possible involvement of the Inflation Reduction Act. | Cooperation with our US partner regarding the molecule following Cariprazine. Close contacting, mutual strengthening of trust;<br>Geographical expansion of sales;<br>Strong quality control and support for the continuity of production (ensuring alternative location for production). | Decreasing risk level |
| Risks related to achieving the strategic goals of the WHC (Women's Healthcare) Business Unit | Several parallel expensive and risky specialty product development projects. It will be more difficult to get new projects, projects will be riskier;<br>Insolvency of development partner;<br>Strengthening competitors (EU, Far East);<br>Medical devices related risks (knowledge, dependency);<br>The risk of lost business is increasing. | Complex agreements, cooperation in the development processes with partners, strengthen project management regarding our products and licensing agreements; Development cooperation with partners (late phase). Filtering of partners, strong contractual protection;<br>Strengthening project management;<br>Starting own production if it is possible;<br>Innovation – portfolio-based development;<br>Competitors - better communication, better products. | Unchanged risk level |
| Risks related to achieving the strategic goals of the CNS (Neuropsychiatry) Business Unit | Risk of exposure to the development and sales partners (how high is priority of the project at the partner);<br>Risk of loss rate and a long payback period. | Operation of R&D stage gate process<br>Buying external projects to start the best projects - it serves as a comparison to complete the early stages;<br>Market analysis. | Unchanged risk level* |
| Risks related to achieving the strategic goals of the BIO | A delay in the product launch after the expiry of a patent license;<br>Risk of lacking development/commercial partners (decreased);<br>Risk of being able to maximize the commercial potential (decreased); | Development of the medical and regulatory field, strict monitoring of clinical trials and CROs (Contract Research Organization), strengthening of project management;<br>Appropriate development/commercial partner; | Unchanged risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| (Biotechnology) Business Unit | The risk of supply chain issues (increased);<br>Lack of HR resources and special expertise;<br>Increasing competition - larger companies entering the market, with increasing activity, falling prices in the matured European market;<br>The effect of the rising US market on the profitability of biosimilar portfolios.<br>Risk of strategic alignment with the Company's commercial strengths.<br>Medical device - the quality and knowledge risk of the procured device;<br>The risk of achieving clinical trials that meet high regulatory requirements for registration. | Contract manufacturing - increasing capacity utilization;<br>Stronger communication of the RIO portfolio (rheumatology, immunology, osteoporosis);<br>Strengthening of the Business Unit operation;<br>The focusing of our product selection strategy is improving. | |
| Risks related to achieving the strategic goals of the GM (General Medicines) Business Unit | Risks of maintaining the level of turnover:<br>Governmental price-cutting, interventions, fierce competition on main, price sensitive markets, price erosion and short product cycles;<br>Price reducing activity of social securities;<br>Products falling out from current product portfolio (e.g., termination of support of the authority, import restriction, restriction through register, detection of pollutants);<br>High income sensitivity of a delay in market entry;<br>Few numbers of expiring patents, new opportunities;<br>High vulnerability due to inflation and Russian-Ukrainian war;<br>In the case of CIS countries, harmonization of licenses is to be expected by 2025. This increases the risk. | Development of well selected generic products first market introductions on our main geographies, strong project management;<br>Improvement of coverage ratios (cheaper production due to the price reduction of active ingredients (new supplier, new synthesis, technological development);<br>Diversification (2000 registers, 60 countries);<br>Life Cycle Management framework;<br>Monitoring of markets/products, appropriate and quick utilization of opportunities;<br>Particular attention in the PV (pharmacovigilance) system, active regulatory dialogue with the authorities, sustaining development projects;<br>Participation in the work of professional organizations. | Increasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| The risk of our original research and development projects | Several CNS research projects move into a clinical development - high costs and long failure rate;<br>A global disruption of the existing balance in the trinity of prices, developments and patents could threaten the return on our patents, projects or even our entire R&D activity;<br>It is a risk whether we can find a properly cooperating partner, mainly from the USA, for the new projects, without which the projects cannot pay off, so it is not worth going through the entire development process independently. | Regular overview of the projects based on strict evaluation criteria;<br>Operation of a Preclinical Scientific Advisory Board with the participation of foreign experts to make 'go-no go' decisions;<br>R&D challenge days (regular financial evaluation of projects);<br>R&D that satisfies rational business needs;<br>AbbVie collaboration (development and financial risk sharing);<br>Monitoring international trends. | Unchanged risk level* |
| Risk of Russian-Ukrainian war | Production and sales in Russia:<br>Supply of API: the situation is currently appropriate, most of the API arrives from the parent company;<br>Procurement of auxiliary material, packaging material and sterile clothing: the situation is currently properly manageable, there some quality risk;<br>Delivery: with difficulties, but it works. Increase in expenses is a risk;<br>Equipment, instruments, parts: Impact of sanctions, voluntary restriction of some manufacturers. The risk is manageable for now, but it may cause disruptions in the longer term;<br>Legislation, regulation: The risk of passing/applying unfavorable (operation, costs) Russian laws and regulations for the Company due to the war situation;<br>Cash flow, finance: With difficulties, but it works. RUB hedging difficulties, tax matters, high exchange rate risk, inflation;<br>HR: Risk of a labor shortage (army, boom in military industry, emigration) - for now the number of employees is stable;<br>IT operation: The risk of continuous operation is manageable; | Alternative procurement sources in Russian production (Russia, China, Turkey, India, etc.);<br>Operation of sanctions compliance monitoring system;<br>Continuation of previous operations, containment of new developments;<br>Continuous crisis management in logistics and finance (transformation of business model);<br>Preliminary preparation for risks, preparation of alternative solutions, risk monitoring, collecting information. | Decreasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | A deteriorating Russian economic situation may dampen Russian demand;<br>Risk of sanctions/market pressure in relation to our operations in Russia;<br>The action of the Russian state against unfriendly states;<br>Clinical trials (large volume) now have to be prepared in other countries;<br>Overall, there is a risk of the long-term sustainability of business in Russia (decreasing).<br>Sales in Ukraine:<br>The risk of permanent relapse is high;<br>Risk of restrictions due to Russian production;<br>Unfavorable perception of Hungarian companies. | | |
| Risk related to ESG | Investor expectations have increased, resulting increase in expenses and tasks;<br>It a risk whether the level of investor expectations meets Richter's reasonable investments;<br>Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. We have to adapt to this. If we do not follow the changes, we could suffer competitive disadvantage;<br>Consumer habits and preferences also change, supporting sustainable development. In case of a delay, all this can adversely affect our sales revenues and reputation;<br>We may also be affected by our WHC portfolio and the chemicals we use. The role of the purity of the water supply increases (it also affects Richter's operation). Necessary technological changes may cause cost increases;<br>There will also be EU requirements for packaging - cost increase, shelf life, supply chain risk; | Monitoring related changes, complying with new regulations;<br>Establishing even stricter, forward-looking internal regulations and practices than the external prescriptions;<br>Carbon footprint calculation, expected fit for Fit for 55 (supplemented with subsidiaries);<br>Energy reduction concept;<br>ESG report, strengthening of internal focus, incorporation of ESG aspects into long-term planning;<br>ESG strategy development;<br>Working out of DEI strategy. | Unchanged risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | Compliance challenges of female quota expectations, internal incentive system. | | |
| If the Company would give not the right and timely answers on the quick global development of digitalization, it could be faced with income losses, competitive disadvantages | Artificial intelligence and machine learning have great potential in the pharmaceutical industry. If we do not keep up with development, we may suffer a competitive disadvantage;<br>The role of connecting databases, involving new data sources (e.g., Internet habits), data usage options increases, data management is accelerated (e.g., scanning, searching, linking);<br>In connection with digitization therapeutic procedures, access to prescriptions, clinical evidence, recommendation system (medical visit vs. state selection (selection is becoming more stringent)) may change;<br>Risk of lack of digital competence;<br>An increase in IT and data security risks along with development (e.g., use AI systems);<br>Due to the extremely strong regulation (GxP) of the pharmaceutical industry. | IT developments are robust;<br>Digital strategy, platform strategy, data strategy, automation strategy, modern infrastructure development strategy is available;<br>Automation projects;<br>Eliminating manual labor, strengthening paperlessness;<br>Data governance;<br>Due to our size, it is a strategy of fast tracking and not experimenting at the forefront;<br>Regulations and procedures;<br>Allocation of internal resources;<br>Operation of Program committee;<br>Creation of project management offices. | Unchanged risk level* |
| The risks of the phased implementation of the current strategy | The continuous availability of an adequate number of quality human resources is a risk;<br>Risk of knowledge-attracting ability (domestic and international).<br>Adequately bringing the strategy to the level of employees is an additional risk;<br>The significant restructuring and rapid development of the Company's operations may lead to operational difficulties, errors, and interruptions;<br>The risk of the success of significant IT developments, processes, governance system development, efficiency improvement; | Corporate culture and attitude change program;<br>Increasing the ability to attract labor by Richter's (employee branding)<br>Development of talent and career management;<br>Regular monitoring of the strategy schedule, ensuring its adequacy, validating investor aspects;<br>Design methodology, development of result evaluations; | Decreasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | The speed proper speed of increased support and involvement of; subsidiaries, creation of common solutions and global standards;<br>Risks of internal change, execution capabilities (e.g., speed of decision-making, simplification of processes, acceleration of operations, progress of real estate strategic programs determine the possibilities). | Control functions focus on achieving strategic goals;<br>Creation of process - governance office;<br>Improving information flow;<br>Change management program. | |
| Continuous increase in market entry barriers in operating areas defined by Richter's strategy | The barriers to entry are constantly rising in the areas where we are trying to compete. Fulfilling expectations requires more and more expenses, work, and more complex operations, makes it difficult to achieve goals in the given strategic areas, and may even make the achievement of certain goals impossible. | Improvement of efficiency, termination of production of potentially unprofitable products;<br>Interest representation;<br>Continuous monitoring and adaptation of strategy to changes. | **NEW RISK*** |

## Operational and Compliance Risks

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| Negative changes in pricing and reimbursement systems, price erosion in the EEU region, in Russia and in China, claw back liabilities in European countries, | Reducing the price of subsidized and non-subsidized products (price erosion) in the Central and Eastern European region, CIS countries and China may cause a decrease in coverage, and increasing claw-back taxes reduce the business result. If the price is very low, production is unprofitable;<br><br>Narrowing the range of supported products is a European trend – impacts negatively on introduction of new products, innovation, return;<br><br>In case of licensed products (not produced by us), the selling price can quickly fall below the purchase price, where the production is no longer worth it. We are exposed to the manufacturer's price increase- with the number of products increasing, this may increase also;<br><br>Getting subsidization for the introduction of a new original product is a long process, the payback time is long;<br><br>The change in the drug price support system also affects biosimilars, where price erosion is also strong. | Reduce exposure by introducing new products and focusing promotion on a less endangered product line;<br><br>Gradual price increase for free price products;<br><br>We can achieve a price increase for several products with a regulated price in some countries, thereby enabling us to increase prices in other countries as well.;<br><br>Closer monitoring and control of claw-back payments, measurement of product profitability taking claw-back into account, selective withdrawal from the sale of certain products;<br><br>LCM project (profit improvement activity). | Unchanged risk level* |
| Difficulties in accessing and retaining qualified staff in the Central European and Eastern European subsidiary companies of the Group may make operations more difficult, more expensive, can result lost business. | The highest risk is the labor supply. The labor market has become unpredictable;<br><br>There is a high demand for a workforce capable of following rapid technological changes. The prestige of physical work is low, many jobs are more informal than the ones at Richter with strict rules.;<br><br>Major risks:<br><br>Biotechnology - medical device knowledge; experienced workforce;<br><br>IT - supply is generally difficult, there is high fluctuation;<br><br>R&D - qualified labor replacement (only internal training, foreigners); | Wage increases and the use of structures that help long-term commitment to the company (loyalty program);<br><br>Contracting with international head-hunters;<br><br>University training collaborations, presence at universities;<br><br>Increasing flexibility, adapting to labor market needs, commitment improving solutions;<br><br>HO – Reduce the frequency of sick leave;<br><br>Teleworking for foreigners;<br><br>Employer branding development; | Increasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | Regulatory - no proper supply;<br>Workforce in chemical industry;<br>Global operational knowledge;<br>Russian language skills - shortage in more and more areas;<br>Improper university education;<br>Debrecen - BMW and battery factory, the absorption power of Romania;<br>In the case of skilled workers, the EU's absorption power increases the risk;<br>Change in workforce requirements is a risk;<br>Loyalty is constantly decreasing in the labor market (Richter became also impacted);<br>HO risk - market demands (many HO) vs. Richter needs, values (innovation, cooperation, efficiency); stressful for managers, physical workers cannot use it);<br>Richter's prestige grew in Western Europe (VRAYLAR®, market presence, external communication);<br>Romania, Poland - similar risks, attracting physical workers is a difficult;<br>Development of digital knowledge;<br>Retirement wave in the coming years;<br>The significant transformation is a risk on the HR side as well. | New recruitment techniques, new channels;<br>Fluctuation monitoring, search for individual solutions in the affected areas;<br>Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning;<br>Education, development programs;<br>Mental health support;<br>Management training programs, marketing of management positions;<br>Reduction of labor demand - Robotization, IT developments, paperless processes, transformation of processes, increase in efficiency. | |
| Cyber risk | Risk of damaging information or communication systems;<br>Richter's rapid digitalization continues to increase risk;<br>The number of cyber-attacks is increasing strongly on a global level. | Operation and development of the IT security area;<br>Education, improving risk awareness (main focus);<br>Multifactor authentication;<br>Incident monitoring and management; | Unchanged risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | | Strong external protection (e.g., running a scan). | |
| Occurrence of environmental, occupational safety, explosion and fire incidents may cause damage to human health, loss of production, material and environmental damage, and loss of reputation | Exposure at work, accident at work, loss of workforce, compensation (human resources) Material damage (equipment), environmental impact limit values exceeded, authority measure, penalty, loss of reputation;<br>Authority expectations of fire and explosion risks are getting stronger, regulations are getting stricter, but they are becoming less and less clear. The cost implications of compliance are increasing. Richter's technologies are increasingly moving in this direction. ATEX question (explosion-proof environment) also appears where it did not before.;<br>For now, we do not operate globally here (it would be an opportunity to reduce costs and increase security). | Application and certification of MEBIR system, continuous risk analysis, risk management, measures;<br>Comprehensive life and accident insurance;<br>Operating corporate environmental organization, Environmental Management. System (EMS), monitoring qualification, investments;<br>Properly designed fire protection systems. | Unchanged risk level* |
| Risk of legal changes and litigation | EU efforts to implement comprehensive pharmaceutical regulation. This will affect Richter as well;<br>Risk of litigation, which may even result in significant financial and reputational losses (e.g., class action lawsuits);<br>European Green Deal (EU climate neutrality goal set for 2050) - may cause a significant increase in costs;<br>License agreements, key procurement contracts, a bad contract from a legal point of view, may result in high business losses. | Continuous monitoring of EU legislation, timely preparations;<br>Participation in the development of regulations;<br>Law-abiding behavior, establishing appropriate legal representation in relation to the given country, education, regulation. | Unchanged risk level* |
| Risk of non-compliance with relevant legislation and industry ethical standards | Employee behavior that violates the ethical and advertising rules of drug promotion (above all, the risk is higher abroad);Improper interpretation and compliance activity regarding the regulations may result in regulatory penalties and loss of reputation;<br>The regulatory environment is tightening;<br>Violation of NIS2 may result in high penalties; | Compliance program approved by the Board of Directors, annual report to the BoD/ SB;<br>Cooperation between local subsidiary compliance managers and the Parent Company;<br>Education (with adequate demonstrability);<br>Continuous monitoring;<br>Maintaining expert groups to monitor regulatory changes. | Increasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | The quality related contracts, due to the lack of a contract template, are diverse and difficult to follow;<br>Due to global operations, we also have to comply with local laws, full knowledge and follow-up of local legislation is a significant challenge in every partner country. Compliance with changing regulations may cause delays in our production and licensing processes. | | |
| Risks related to data protection regulations | Lack of data protection compliance and violation of data protection (GDPR) requirements;<br>Lack of enforcement of data protection principles;<br>Misuse of improper handling of personal data;<br>Improper handling of data protection;<br>Compliance risk of changing rule and regulatory environment. | Current operating framework;<br>Assessing the level of maturity, processing the results;<br>Employee data protection attitude formation;<br>Revision of sample documentation and development of new samples in progress;<br>The data protection compliance of the Company and the Richter Group is under continuous development;<br>Education;<br>Strengthening subsidiary support and control. | Decreasing risk level* |
| The risk of non-compliance with, in some cases extremely high quality and chemical safety requirements for the development and manufacture of medicinal products | Non-compliance with GMP, GLP, GCP), GDP, IT GXP and PV, MDR, inadequate side-effect monitoring may harm the patient and lead to regulatory action, penalties, in the case of a serious violation, even product recalls (product suspension in extreme cases), liability claim payment and reputation losses (product quality must be provided from manufacturing to maturity, compliant with the expectations of all destinations in the global market);<br>Risk of losses caused by new side-effects, contamination, manufacturing fault, counterfeiting; | GMP compliance equipment;<br>Production based on Market Authorization, Quality Assurance;<br>Application of quality assurance systems, SOP controlled operation (continuous monitoring of SOPs);<br>Development of own API in the case of key products;<br>Applying a supplier rating system seeking to register alternative suppliers; | Unchanged risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | Compliance risk of authorization / restriction introduced by EU chemical safety regulation (REACH);<br>Changes in the current regulations in force in our markets may increase our production expenses, may require new raw materials needs, registration, and new investigations;<br>Change in the regulation of injection manufacturing (EU) the increase of much stricter rigorous examination needs;<br>The elimination of toxic contaminants became in focus during regulation. With the development of test methods, more and more pollutants might be detected. The compliance to the expectations might be more and more expensive;<br>Several regulatory changes in the medical device area - complete implementation in progress (decreasing risk);<br>Packaging materials - expected compliance with new EU requirements (ESG aspects), risk of price increase;<br>Inspection by foreign pharmaceutical authorities - risk of compliance with expectations;<br>Developments by instrument manufacturers to detect the smallest possible limit value of contamination, increase in official expectation;<br>In the case of quality problems, the lack of release or delay can result in lost business. | Product liability insurance, general liability insurance, compensation;<br>Continuous monitoring of the use of chemicals restricted under REACH;<br>Immediate handling of deviations, including preventive and corrective actions;<br>Examination and qualification of our own systems (internal audit);<br>Emphasis is always placed on the use of the strictest standards, as well as taking into account other non-prescribed issues;<br>Inspection preparations. | |
| Risk of ensuring high availability of pharmaceutical manufacturer and supply system equipment | API manufacturing is a dangerous process, with the risk of fire and explosion;<br>Product shortages subsequent to unexpected plant shutdown;<br>Risk of human injury;<br>Individual machine failure leading to lowering output, inspection risk due to obsolescence;<br>Supply system failures. | Production safety measures, insurance on property and on downtime as recommended by the Risk Survey;<br>Adequate level of capacity maintenance, maintenance, and troubleshooting;<br>Enhancing the technical quality, automated supervision and operational safety of systems;<br>Integrated BCM system. | Unchanged risk level* |

| **Risks** | **Description of risks** | **Major risk management actions taken** | **Changes** |
|---|---|---|---|
| Product recall risk | It may happen that we have to recall one of our products (It is more typical to recall only items.) This may result in loss of sales revenue, loss of market and loss of reputation. The reasons can be product defect, manufacturing defect, product replacement, authority action, defect in the purchased raw material, something new is revealed about the product (e.g. a serious, previously unknown side effect). | Strict compliance with standards, controls and legal regulations, external and internal rules, emphasis is taken on prevention;<br>Operated control systems, established work processes;<br>Monitoring of domestic and international regulatory environment, authority practice;<br>Suppliers – approval by authority. | Unchanged risk level* |
| Energy supply related risks. | A power failure may even cause Richter to stop operation. An increase in energy prices may cause a decrease in profit and the loss of some products:<br>Difficulties in Europe's energy supply, the globally growing demand for energy, the scarcity and moderate flexibility of energy are still present;<br>Supplying the population has an advantage over industrial companies in the event of overconsumption and / or lack of capacity;<br>The chance of concluding long-term contracts has decreased, price volatility increased;<br>Energy price increases also occur from the supplier side. | Contracts with energy providers, fixing and covering energy;<br>Energy strategy;<br>Employee attitude formation;<br>Enhancing energy security in critical areas;<br>Energy management system according to ISO 5001;<br>Significant energy savings year after year (approx. 10%);<br>Existing diesel generators. | Decreasing risk level* |
| Procurement related risks | Global supply chain problems - certain raw materials and packaging materials can be obtained more expensively, not at all or not in time. Due to inadequate material requirements, procurement does not adapt to real needs, which can result in lost business;<br>A quality problem or a force majeure event at the supplier can damage sales, our customer service level, and cause lost business;<br>A new supplier may carry new risks;<br>Continuously tightening regulations of registration result in price increases in terms of API; | Earlier/long-term pre-issued orders, issuing longer-term forecasts, more accurate planning;<br>Alternative supplier;<br>Continuously sufficient warehouse capacities;<br>Regular inspection of direct suppliers and control of the entire supply chain through them -The longer the supplier chain, the weaker Richter's own control; | Increasing risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | The loss of a critical supplier due to registration can be replaced in a long time;<br>Risk of supplier raw material quality;<br>The above may jeopardize the security of continuous production, may increase costs, and may generate surplus reserves (materials and assets). | Supplier harmonization is necessary, we could order combined volumes, it would provide security of supply;<br>Endeavor to use own contract templates. | |
| Risks related to transport, storage, production and sales planning | Transport: The risks (price, delivery time, uncertainties) decreased on average compared to before, but increased towards Russia and Ukraine;<br>Storage: There is a risk of lack of storage capacity, but it is manageable. The increase in inventory required due to the increased procurement time, the acceleration of production, and the slowdown in sales and delivery may increase the pressure on storage;<br>Production and sales planning: If we do not properly assess the expected market demands and the amount and timing of production, it is not possible to plan it properly, then this leads to lost business or excessive storage needs and also can lead to an unnecessary increase in the time of production-sales cycle and production and storage costs. | Transport: Planning of alternative options (other ground route, air transport), continuous monitoring of the current situation;<br>Warehousing;<br>Production and sales planning;<br>continuous balancing of supply and demand;<br>Central management of complete inventory management. | Decreasing risk level |
| Risks related to trade, the risk of bringing new products to market | Europe - the operation of pharmacy chains (own production) and distribution (model change - doctor visitors vs. pharmacy chain visitors) is increasingly a risk regarding our sales model. Their influence may increase with regard to the prescription and selection of medicines. It can be a risk if a pharmacy chain ends up in a monopoly position. Pharmacy chains may replace our products with their own brand products;<br>In the commercial field, the business units work in parallel with each other in a functional sense. Creating the framework for this poses a risk in terms of efficient and good operation;<br>Newly launched product: price pressure, the effect of price support is an important risk factor; | Preparing to enter the market;<br>Current operational developments and transformation. | Unchanged risk level* |

| Risks | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | Risk, if the new product does not fit into our portfolio (e.g. a sales network is not established in this direction). | | |
| Liability risks | There are several liabilities arising from Richter's operations;<br>Product liability: material and criminal law, the practice of organized common litigation is spreading (USA, Western Europe), an increase in insurance premiums is typical;<br>The increase in US market presence significantly increases product liability risks;<br>Employer's liability: exposures to employees (e.g., toxic effects of chemicals, there is no insurance for this), accidents;<br>With the development of technology, more and more things can be examined, the list of substances and activities causing damage may grow;<br>Responsibility for clinical trials, responsibilities of senior executives, general liability to third parties;<br>Data management risks arising from data manager status. | Product liability: insurance, agreements;<br>Employer responsibility: insurance, own reserves, health protection, country-specific knowledge, establishment of legal relations;<br>Clinical responsibility: insurance (also abroad);<br>Senior executives liability insurance;<br>General liability insurance;<br>Self-insurance, reserving;<br>Increase of risk sensitivity;<br>Involvement and promotion of several insurance partners;<br>Strengthening of data protection compliance, monitoring. | Unchanged risk level* |
| Risk of quality problems/absence of data regarding decision-making and operation | The deficiencies in the management of data quality/data governance/master data can result in improper decisions, business loss, competitive disadvantage, non-compliance with authorities, and loss of reputation;<br>Various, non-uniformly used designations may hinder the processing of the data and may result in incorrect conclusions;<br>Inefficient use of data assets may reduce our competitiveness;<br>Important information might be obtained with difficulties and in a non-automated way. This makes it difficult to prepare appropriate reports, and may cause an increase in costs if data demand increases; | The activity of a unit created to support data-based decision-making and make corporate data assets available for implementing data-driven operations;<br>Supporting IT developments. | Decreasing risk level |

## Financial Risks

| Risk area | Description of risks | Major risk management actions taken | Changes |
| --- | --- | --- | --- |
| Cash-flow and<br><br>Currency risk | The Group is highly exposed to RUB and USD and other currencies on the revenue side and has foreign currency financial instruments and other assets. Exchange rate fluctuations may distort all income measured in HUF and EUR and may cause unneeded balance sheet and income statement movements/financial losses;<br><br>Risk of conversion from RUB due to the war;<br><br>Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency changes significantly. Extra accounting results might be generated in both directions;<br><br>In the case of RUB, hedging with derivative transactions is not possible, we are trying to mitigate the risk with other methods (e.g., discounting);<br><br>The risk of transactions related to our operations in Russia (currently manageable). | Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion;<br><br>Application of limits;<br><br>Rolling hedging of planned USD revenues, hedging of investments in USD and EUR in order to ensure the stability and predictability of the financial result;<br><br>Changing the Russian business model;<br><br>Development of foreign exchange allocation model, and currency risk coverage;<br><br>The continuous hedging of the currency exposures of energy purchases and the energy costs. | Increasing risk level* |
| Credit risk | On certain markets of the Richter Group (CIS and other region) and some subsidiaries face increased customer credit risk;<br><br>In connection with the Russian-Ukrainian war, the risk has increased in these two countries (no losses occurred),recession expectations increase the risk as well;<br><br>Significant negative changes in the state of our investment partners may cause losses (non-payment, loss of value). | Extended MEHIB trade credit insurance for CIS markets and for the Rest of the World region of the Richter Group;<br><br>Bank guarantees (only with appropriately qualified banks, within set limits);<br><br>Limits set up for buyer;<br><br>Prepayment request;<br><br>Operation of the CAS credit management system;<br><br>Ukraine - introduction of prepayment;<br><br>Russia - bank guarantees, MEHIB monthly currency revaluation, twice a year impairment calculation, own bankruptcy risk database, based on market bankruptcy risk data; | Increasing risk level* |

| Risk area | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | | Continuous monitoring, monthly reports; | |
| Interest rate, partner and liquidity risk | Interest rate risk: Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses); Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital. The majority of securities, with the exception of short-term government securities, are valued at fair market value, so there is no hidden interest rate risk.;<br>Partner risk: Significant adverse changes in the position of our partners (typically banks) may result in losses;<br>Liquidity risk: The Company is unable or able only at the cost of material financial losses to meet its payment obligations. | Interest rate risk: limits (duration), continuous monitoring, investment decisions, interest rate swaps;<br>Partner risk: partner limits, involvement of new partners, partner selection, diversified portfolio and assets, contracting based on ISDA;<br>Liquidity risk: treasury activity, CF planning, liquidity limits, payment planning, , repo transactions, borrowing;<br>Centralized control of free cash of subsidiaries;<br>Strict compliance, development and annual review of financial, investment regulations;<br>Monthly investment and risk management report;<br>Investment Committee – weekly. | Unchanged risk level* |
| Taxation related risks | Parent Company: risk of certification of eligibility for tax benefits on basis of R&D and royalty;<br>Group: improper certification of transfer pricing. Inappropriate reports may result in regulatory penalty;<br>Risk of inadequate tax optimization (overpayment / underpayment);<br>Risk of non-compliance with tax regulations;<br>The risk of an increase of the effective tax rate;<br>The predictability of the tax environment has decreased, which, in addition to the financial effects, also significantly affects the ability to plan the Company's operations;<br>USA, Russia - impact of the termination of the double taxation exclusionary treaty; | Operation of a tax department: Group transfer price: Masterfile based on established rates, local transfer pricing documentation. | Unchanged risk level* |

| Risk area | Description of risks | Major risk management actions taken | Changes |
|---|---|---|---|
| | The date of the termination of the extra tax, the impact of this tax on our developments and the achievement of strategic goals;<br><br>The date of the abolition of the extra tax, the impact of the tax on our developments and the achievement of strategic goals;<br><br>Risk related to royalty income. | | |
| Inflation risk | A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable;<br><br>Retaining/acquiring workforce vs. increase in expenses - there is a significant risk in its optimal management;<br><br>Energy price increases have been hedged, but re-hedging is still a risk, energy price increase at suppliers;<br><br>Unpredictable changes in costs may make planning and operation difficult;<br><br>Reversal of a declining inflation trajectory, stagnation of the inflation level is a risk. | The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting;<br><br>Increase of sales prices;<br><br>Early procurement;<br><br>Proper planning and conscious scheduling of procurement. | Decreasing risk level* |
| Risk of inorganic growth | Due to the significant amount of inflowing CF, the pressure in the direction of making acquisitions has increased. A significant acquisition reduces the tax liability, the risk of additional extra taxes, the pressure to pay dividends/buy back shares. At the same time, a poorly managed acquisition or license purchase may result in a significant and lasting loss. | Corporate acquisition activity with the involvement of external partners. Operation of the M&A unit.;<br><br>Appropriate dividend and share buyback policy. | Decreasing risk level* |

Note:

* By improving our risk management activity, we have been able to offset the increase in risk exposure and probability of risk, and we have managed to reduce or eliminate many risks. In addition, new risks have arisen. We have also marked as new risks those risks which - although they may have been known for a long time - have been added to the table.

# IX. ESG Review

## 1. Environmental Protection

Minimising the environmental load of its manufacturing activities is a priority task for Richter, and therefore the most state-of-the-art technologies are applied in order to continuously reduce any negative environmental impacts.

The various manufacturing activities involve largely varied environmental risks and actual impacts:

- API manufacturing is essentially a chemical activity. Only a small proportion of the materials used are actually incorporated in the high-purity end product, and therefore these non-recyclable materials used in chemical technologies present the greatest environmental load and risk.
- Due to its nature, biotechnology-based manufacturing does not require the use of large quantities of environmentally harmful substances, and therefore it involves little environmental load and low environmental risk.
- Packaging is part of pharmaceutical manufacturing, where most of the materials used are built in the product. As such, the environmental pressures and risk are moderate.

Richter's guidelines of environmental protection are laid down in its Environmental Policy and are implemented through the Environmental Management System (KIR) awarded an ISO 14001 certificate. In 2023 KIR successfully passed an ISO 14001 oversight audit.

The KIR analyses and manages risks affecting the environment, particularly the natural environment, in according with the provisions of the ISO standard (emission limits, data supply, and the requisite licenses). Functioning and risk management under the KIR is verified through annual inspection audits by an independent certifying body.

By determining its carbon footprint, Richter has laid the foundations to take the necessary steps to reach the target set by the European Union's "Fit for 55" programme. Carbon footprint calculations are to be carried out on an annual basis to monitor progress towards the targets. In 2023, carbon footprint calculations for the year 2022 were completed for the European manufacturing subsidiaries (Poland, Romania and Russia) as well as for the joint ventures (Germany and India).

Richter compiles its environmental performance indicators in accordance with the Global Reporting Initiative (GRI) Guidelines and publishes them along with the measures implemented and planned and their evaluation in a yearly Sustainability Report available on the Company's website.

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

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

Growing environmental awareness is proven by the fact that the environmental management system implemented at our Romanian subsidiary has been successfully certified.

# 2. Occupational Health and Safety

A typical source of hazard at Richter’s workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs). Employees apply individual protective devices on an ongoing basis.

In 2023, Richter has merged its Environmental and Safety departments into the EHS Department, in line with industry standards. This was not just a purely professional integration, but also reflects the Group's transition to a global–local EHS operation, which is supported by the implementation of a global EHS management system.

The EHS experts help to raise EHS awareness in Hungary, to promote the prevention of critical incidents and to assess possible deviations through safety walkthroughs and transparent communication. Due to these efforts, similarly to 2022, there were no serious work-related accidents in 2023, no deficiencies of note were found by the relevant authorities, and no fine was imposed.

Richter has been constantly working on optimising its health and safety processes; following the passing in 2023 of the revision audit of the Occupational Safety and Health Management System (MEBIR) under Hungarian Standard MSZ ISO 45001:2018 by the supervisory agencies, education and training, regulations, performance evaluation, risk management and occupational hazard measurements have been deemed appropriate and in keeping with the rules and regulations.

By reviewing and optimising the processes of the KIR and MEBIR systems, preparing for the integration of the two management systems in Hungary is a top priority.

Richter has reviewed the aspirations and regulators of the European Green Deal and is following the expectations relevant to its operation. Following an assessment of the Group's product exposure, the Company has submitted detailed technical proposals to national and European authorities for changes to the regulatory environment to enforce the restriction of the per-and polyfluoroalkyl substances (PFAS) through advocacy.

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

By submitting the European UFI, PCN notifications Richter had prepared for compliance with the restriction related the solvent n, n-dimethyl formamide (DMF) even before the restriction entered into effect in December 2023.

# 3. Human Resource Management

One of Richter’s strategic goal is to build a future proof organisation that is able to anticipate the complex internal and external challenges. We put people at the center, and we are committed to fostering an environment where people feel valued, developed and rewarded regardless of any visible or invisible differences. We continuously build our culture around the four key Richter values (People-orientation, Responsibility, Innovation and Excellence) to enable our more than 11,000 employees to reach their full potential.

With the aim to offer equal opportunities in recruitment, development, career and pay we continuously audit our processes and policies and put in place an extensive DEI plan by focusing as a first step on gender and multi-age diversity.

# 4. Policy of Diversity

Throughout its operations Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success and believes that the Company's success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual's personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Company's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter's operation; when drafting internal regulations the Company strives to shape the corporate environment to meet this principle.

To implement the Company's views in practice, adopted on 28 May 2018, and announced on 21 June 2018, the Diversity Policy regarding the Company's leading bodies, i.e. the Executive Board, the Board of Directors and the Supervisory Board was reviewed and updated by the Board of Directors on 26 June 2023. Determined for a period of five years, the Diversity Policy, whose implementation is closely tracked by the Board, determines the diversity aspects and objectives applicable for the Company's business management, executive and supervisory bodies.

In the spirit of diversity, when composing the Company's leading bodies priority will be given to knowledge related to Richter's main business and character as a multinational pharma group, expertise in the economic, scientific, social, and environmental contexts of the Company's operation, effective and efficient cooperation between professionals of different genders, representing both older and younger generations, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in areas relevant to Richter (pharmaceutical research, R&D, healthcare, finance, capital markets, and general management); Richter, therefore, tries to have members with appropriately diverse professional backgrounds serving on its leading bodies. The goals formulated in the Policy in conjunction with the leading bodies envision that

- both sexes should be represented among the members, with a cumulative proportion of women being at least 30 percent, and in the case of management bodies whose composition is subject to a binding gender quota in any national, international and/or European Union legislation[2] Richter should meet the relevant requirements;
- the age distribution of members should be balanced; and
- to include talented people with appropriate competencies from multiple generations.

The Company pays attention to the considerations and goals determined in the Policy when nominating members to the Board of Directors, the Supervisory Board and the Audit Board, and when selecting members and planning potential successors to serve on the Executive Board. As a public limited company, Richter has no power other than nominating members on the company's boards; their election is the exclusive competence of the AGM.

At the same time, the Board of Directors always urges for the involvement of women and the age-related diversification of members besides the consideration of appropriate professional and personal competences when nominating and electing members to serve on the specialist boards. Accordingly, the participation of women is over 30 percent in all its boards, including the newly created ESG (Environmental Social Governance) Subcommittee set up in December 2021.

In 2023, following the decisions taken by the Annual General Meeting on the composition of the Board of Directors, there was no significant change in age distribution on the Board of Directors.

[2] Cf.: Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures

Women's 30 percent participation in the Supervisory Board remained unchanged throughout 2023.

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

# 5. Global Compliance Program

The Global Compliance Program was introduced by Richter in November 2016 with the main goal of following, compliance and enforcing compliance with European and national regulations, industrial standards, and international business standards and ethics. As a first step the Global Compliance Program was introduced in Hungary and in the European Economic Area states. In 2018 and in 2019 the Program was extended to Latin American countries, and to the subsidiaries and representative offices in the CIS member states. As part of the extension of the Program, relevant chapters of the Compliance Handbook were translated to the local languages and were adapted to the local environments so that they become enshrined in local rules and regulations. Once global compliance training materials had been localised, the required education and training were extended to local staff.

Richter's Code of Ethics provides for all employees to respect the human rights laid down in relevant international agreements and local legislation and regulations. Richter has previously introduced a group-wide Compliance Hotline, through which employees can report possible ethical misconduct and violations of the law at a global level by phone or e-mail.

To comply with the Directive (EU) 2017/1937, on 21 December 2021 Richter introduced Richter VCO, a centralised Virtual Compliance Officer System in addition to the already existing Compliance Hotline, for the anonymous online reporting, by staff and external partners, of breaches including ethical breaches and infringement of statutory provisions, to be investigated and managed by the Legal and IP department in accordance with the relevant legal regulations. The extension of Richter VCO across Richter Group was completed successfully so that every affiliated company operating in the territory of the EU is able to join the central Richter VCO system. Besides Richter VCO the Compliance Hotline reporting facilities continue to be in use.

In 2023, a total of 16 reports were received from within Richter and from foreign subsidiaries via Richter's VCO and the Compliance Hotline, and some cases were brought to our attention through official channels. The reports from abroad were of various matters and concerned eight countries. The Company considers it important to educate employees on the operation and availability of the Compliance Hotline, and therefore mandatory training for the entire Company was introduced in 2023. Overall, the number and quality of notifications indicate a trend of increasing compliance awareness.

Distribution of Compliance reports in 2023

| | |
|---|---|
| **Total number of Compliance reports** | **16** |
| Total number of closed cases | 12 |
| Open cases | 4 |
| Submitted via Richter VCO | 5 |
| Submitted via Compliance Hotline | 6 |
| Brought to attention through official channels | 5 |

The Anti-bribery and corruption Policy provides for the fight against corruption and sets out the principles regarding bribery. This Policy contains detailed rules which Richter's employees (including its officers) must comply with. These rules are aimed at avoiding active and passive involvement in corruption.

Compliance with Richter's Anti-corruption Handbook is crucial not only with respect to our employees but also to every member of the Company's entire supply chain. All our third-party contracts contain an anti-corruption clause which reflects the provisions of the Anti-corruption Handbook and whose acceptance is an integral condition of contracting.

Transparent relationships and connections between Richter and patient organisations, health professionals and service providers promote informed decisions. As a member of Medicines for Europe, Richter commits to publish payments and benefits provided to, and agreements concluded with, patient organisations, health professionals and service providers. A transparency report was published for 2022, at the end of June 2023. In 2023, Richter reformed and updated its Transparency Regulation to incorporate the changes to the Medicines for Europe Code of Conduct and to create more efficient workflows within the organisation. Within Richter, the preparation of Transparency Disclosures and the collection of data require a close and continuous coordinated collaboration with partner departments that is now governed by the new Transparency Regulation.

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

Monitoring sanctions is an obligation for all companies established in the European Union. For this reason, project work to enable the use of an automated sanctions monitoring tool started in 2022. The system entered into force in early 2023.

In 2022, a group-wide compliance monitoring project was launched to assess compliance awareness, existing compliance risks and controls for all subsidiaries. As a first step, a risk assessment questionnaire on the contents of all Compliance Manuals was compiled and completed by the subsidiaries. In 2023, the responses received were evaluated for all countries. Based on the findings, Richter has drawn up action plans and a three-year monitoring plan, which will be used as a basis for compliance audits of subsidiaries starting in 2024.

In recent years the Compliance Hotline received several reports of conflicts of interest, and therefore the Company drafted its Conflict-of-Interest Regulations. The purpose of these Regulations is to draw employees' attention to potential conflicts of interest, to prevent conflicts of interest or manage them once they arise. In 2021, the Conflict-of-Interest Policy was also introduced for foreign subsidiaries as part of the Global Compliance Programme, and was also accompanied by training. Compliance with the provisions of the Policy is an interest and obligation for all employees of the Company, and in this context 18 conflict of interest resolutions were adopted in 2023.

Regular semi-annual Compliance & Data Privacy Dotted Line Reporting was introduced in 2020. The goal is to forge closer connections between the Company and the subsidiaries, and to improve the transparency of subsidiaries' compliance and data protection activities. In 2023, affiliates reported regularly on the topics surveyed in the context of Dotted Line Reporting.

Richter intends to further strengthen the compliance function, which will help the parent company exercise a higher level of control in Richter Group's geographical areas of operation through an international compliance network.

# Appendix 1 – Effect of changes in accounting policy

On 1 January 2023 the European Union adopted the amendments to IAS 12 which reduced the cases to which the initial recognition exemption applies. Since the Company accounted for investment tax credits under this method in the past, it reviewed the relevant accounting policies and opted for changing them.

The IFRSs do not provide for clear guidance regarding the treatment of investment tax credits, therefore IFRS practioners have an accounting policy choice. Prior to the financial year of 2023, the Company used option of analogy of initial recognition exemption in accordance with IAS 12.24 and did not recognise a deferred tax asset in connection with these tax credits. As a result of the change of accounting policy, the analogy of tax credits described in IAS 12 34-36. are used for the accounting of investment tax credits. Accordingly, deferred tax assets related to investment tax credits are recognised in the amount at which it is probable that taxable profits will be available in future periods.

The change in the accounting policy was implemented retroactively, by correcting the relevant reporting lines.

# GEDEON RICHTER PLC.

# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2023



Gábor Orbán

chief executive officer

Budapest, 8 March 2024

# Gedeon Richter Plc.

# CONSOLIDATED FINANCIAL STATEMENTS

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# Consolidated Income Statement

for the year ended 31 December

| | Notes | 2023 | 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **Revenues** | **5** | **805,158** | **802,755** |
| Cost of sales | | (283,834) | (342,291) |
| **Gross profit** | | **521,324** | **460,464** |
| Sales and marketing expenses | | (146,047) | (147,487) |
| Administration and general expenses | | (50,572) | (34,863) |
| Research and development expenses | | (78,344) | (75,109) |
| Other income | 5 | 10,778 | 23,688 |
| Other expenses | 5 | (67,322) | (74,702) |
| Reversal of impairment on financial and contract assets | | (453) | 1,564 |
| **Profit from operations** | **5** | **189,364** | **153,555** |
| Finance income | 6 | 84,041 | 88,803 |
| Finance costs | 6 | (107,999) | (82,845) |
| **Net financial (loss)/income** | **6** | **(23,958)** | **5,958** |
| Share of profit of associates and joint ventures | 15 | 6,134 | 6,150 |
| **Profit before income tax** | | **171,540** | **165,663** |
| Income tax | 7 | (10,889) | 5,087 |
| **Profit for the year** | | **160,651** | **170,750** |
| Profit attributable to | | | |
| Owners of the parent | | 158,850 | 169,076 |
| Non-controlling interest | | 1,801 | 1,674 |
| | | | |
| Earnings per share (HUF) | 8 | | |
| Basic and diluted | | 860 | 907 |

* See Note 50 on the details of restatement

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December

| | Notes | 2023 | 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **Profit for the year** | | **160,651** | **170,750** |
| **Items that will not be reclassified to profit or loss (net of tax)** | | | |
| Actuarial (loss)/gain on retirement defined benefit plans | 35 | (657) | 1,131 |
| Changes in the fair value of equity investments at FVOCI | 18 | 2,189 | 1,209 |
| | | **1,532** | **2,340** |
| **Items that may be subsequently reclassified to profit or loss (net of tax)** | | | |
| Exchange differences arising on translation of subsidiaries | | 1,199 | 20,240 |
| Exchange differences arising on translation of associates and joint ventures | 15 | 86 | (909) |
| Change in fair value of hedging instruments recognised in OCI | 11 | 18,093 | (8,432) |
| Hedging (gain)/loss reclassified to profit or loss | | (12,367) | 9,275 |
| Changes in fair value of debt instruments at FVOCI | 18 | 149 | (519) |
| | | **7,160** | **19,655** |
| **Other comprehensive income for the year** | | **8,692** | **21,995** |
| **Total comprehensive income for the year** | | **169,343** | **192,745** |
| Attributable to: | | | |
| Owners of the parent | | 167,944 | 190,223 |
| Non-controlling interest | | 1,399 | 2,522 |

* See Note 50 on the details of restatement

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Balance Sheet - Assets

| | Notes | 31 December 2023 | 31 December 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 347,394 | 315,949 |
| Goodwill | 13 | 31,903 | 35,101 |
| Other intangible assets | 14 | 230,383 | 196,714 |
| Investments in associates and joint ventures | 15 | 15,177 | 9,281 |
| Non-current financial assets at amortised cost | 16 | 4,120 | 20,801 |
| Non-current financial assets at FVTPL | 17 | 75,839 | 67,724 |
| Non-current financial assets at FVOCI | 18 | 71,739 | 68,193 |
| Derivative financial instruments | 11 | 16,327 | 31,446 |
| Deferred tax assets | 19 | 29,244 | 29,373 |
| Long-term receivables | 20 | 4,178 | 3,432 |
| | | **826,304** | **778,014** |
| **Current assets** | | | |
| Inventories | 21 | 177,767 | 153,335 |
| Trade receivables | 22 | 204,968 | 175,182 |
| Contract assets | 23 | 8,103 | 6,150 |
| Other current assets | 24 | 44,538 | 41,120 |
| Current financial assets at amortised cost | 25 | 6,239 | 44,716 |
| Current financial assets at FVOCI | 26 | 1,454 | 1,536 |
| Derivative financial instruments | 11 | 9,662 | 2,154 |
| Current tax asset | 27 | 1,689 | 4,844 |
| Cash and cash equivalents | 28 | 80,493 | 79,719 |
| Assets classified as held for sale | 48 | - | 67,014 |
| | | **534,913** | **575,770** |
| **Total assets** | | **1,361,217** | **1,353,784** |

* See Note 50 on the details of restatement

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Balance Sheet – Equity and liabilities

| | Notes | 31 December 2023 | 31 December 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **Capital and reserves** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 29 | 18,638 | 18,638 |
| Treasury shares | 30 | (29,982) | (2,123) |
| Share premium | | 15,214 | 15,214 |
| Capital reserves | | 3,475 | 3,475 |
| Foreign currency translation reserves | 29 | 49,533 | 47,846 |
| Revaluation reserves for financial assets at FVOCI | 29 | 1,999 | (339) |
| Cash-flow hedge reserve | 29 | 6,546 | 820 |
| Retained earnings | | 1,065,391 | 979,870 |
| | | **1,130,814** | **1,063,401** |
| Non-controlling interest | 31 | 11,767 | 10,446 |
| | | **1,142,581** | **1,073,847** |
| **Non-current liabilities** | | | |
| Borrowings | 36 | 182 | - |
| Deferred tax liability | 19 | 3,824 | 3,928 |
| Non-current financial liabilities at FVTPL | 32 | 54,467 | 41,516 |
| Derivative financial instruments** | 11 | 11,413 | 25,484 |
| Lease liability | 33 | 13,817 | 10,789 |
| Other non-current liabilities and accruals | 34 | 13,866 | 13,634 |
| Provisions | 35 | 6,559 | 5,079 |
| | | **104,128** | **100,430** |
| **Current liabilities** | | | |
| Trade payables | 37 | 51,301 | 46,092 |
| Contract liabilities | 38 | 2,347 | 1,931 |
| Current tax liabilities | 27 | 1,974 | 3,848 |
| Current financial liabilities at FVTPL | 39 | 2,722 | 2,855 |
| Derivative financial instruments** | 11 | 935 | 4,786 |
| Lease liability | 33 | 4,428 | 4,437 |
| Other current liabilities and accruals | 40 | 47,840 | 64,361 |
| Provisions | 35 | 2,961 | 2,153 |
| Liabilities directly associated with assets classified as held for sale | 48 | - | 49,044 |
| | | **114,508** | **179,507** |
| **Total equity and liabilities** | | **1,361,217** | **1,353,784** |

* See Note 50 on the details of restatement



The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

| | Notes | Share capital | Share premium | Capital reserves | Treasury shares | Revaluation reserve for financial assets at FVOCI | Foreign currency translation reserves | Cash-flow hedge reserve | Retained earnings | Equity attributable to owners of the parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Balance at 1 January 2022** | | **18,638** | **15,214** | **3,475** | **(2,862)** | **1,346** | **29,363** | **(23)** | **849,735** | **914,886** | **8,136** | **923,022** |
| Profit for the year (restated*) | | - | - | - | - | - | - | - | 169,076 | 169,076 | 1,674 | 170,750 |
| Exchange differences arising on translation of subsidiaries | | - | - | - | - | - | 19,392 | - | - | 19,392 | 848 | 20,240 |
| Exchange differences arising on translation of associates and joint ventures | 15 | - | - | - | - | - | (909) | - | - | (909) | - | (909) |
| Actuarial gain on retirement defined benefit plans | 35 | - | - | - | - | - | - | - | 1,131 | 1,131 | - | 1,131 |
| Changes in the fair value of financial assets at FVOCI | 29 | - | - | - | - | 690 | - | - | - | 690 | - | 690 |
| Reclassification of gain on transfer of equity investments at FVOCI to retained earnings | 29 | - | - | - | - | (2,375) | - | - | 2,375 | - | | - |
| Change in fair value of hedging instruments recognised in OCI | 29 | - | - | - | - | - | - | (8,432) | - | (8,432) | - | (8,432) |
| Hedging loss reclassified to profit or loss | 29 | - | - | - | - | - | - | 9,275 | - | 9,275 | - | 9,275 |
| **Comprehensive income for year ended 31 December 2022 (restated*)** | | **-** | **-** | **-** | **-** | **(1,685)** | **18,483** | **843** | **172,582** | **190,223** | **2,522** | **192,745** |
| Purchase of treasury shares | 30 | - | - | - | (1,326) | - | - | - | - | (1,326) | - | (1,326) |
| Transfer of treasury shares | 30 | - | - | - | 2,065 | - | - | - | (2,065) | - | - | - |
| Recognition of share-based payments | 29 | - | - | - | - | - | - | - | 1,552 | 1,552 | - | 1,552 |
| Ordinary share dividend for 2021 | 42 | - | - | - | - | - | - | - | (41,934) | (41,934) | - | (41,934) |
| Dividend paid to non-controlling interest | | - | - | - | - | - | - | - | - | - | (212) | (212) |
| **Transactions with owners in their capacity as owners for year ended 31 December 2022** | | **-** | **-** | **-** | **739** | **-** | **-** | **-** | **(42,447)** | **(41,708)** | **(212)** | **(41,920)** |
| **Balance at 31 December 2022 (restated*)** | | **18,638** | **15,214** | **3,475** | **(2,123)** | **(339)** | **47,846** | **820** | **979,870** | **1,063,401** | **10,446** | **1,073,847** |

* See Note 50 on the details of restatement

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

| | Notes | Share capital | Share premium | Capital reserves | Treasury shares | Revaluation reserve for financial assets at FVOCI | Foreign currency translation reserves | Cash-flow hedge reserve | Retained earnings | Equity attributable to owners of the parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Balance at 1 January 2023** | | **18,638** | **15,214** | **3,475** | **(2,123)** | **(339)** | **47,846** | **820** | **979,870** | **1,063,401** | **10,446** | **1,073,847** |
| Profit for the year | | - | - | - | - | - | - | - | 158,850 | 158,850 | 1,801 | 160,651 |
| Exchange differences arising on translation of subsidiaries | | - | - | - | - | - | 1,601 | - | - | 1,601 | (402) | 1,199 |
| Exchange differences arising on translation of associates and joint ventures | 15 | - | - | - | - | - | 86 | - | - | 86 | - | 86 |
| Actuarial gain on retirement defined benefit plans | 35 | - | - | - | - | - | - | - | (657) | (657) | - | (657) |
| Changes in the fair value of financial assets at FVOCI | 29 | - | - | - | - | 2,338 | - | - | - | 2,338 | - | 2,338 |
| Change in fair value of hedging instruments recognised in OCI | 29 | - | - | - | - | - | - | 18,093 | - | 18,093 | - | 18,093 |
| Hedging (gain) reclassified to profit or loss | 29 | - | - | - | - | - | - | (12,367) | | (12,367) | - | (12,367) |
| **Total comprehensive income for year ended 31 December 2023** | | **-** | **-** | **-** | **-** | **2,338** | **1,687** | **5,726** | **158,193** | **167,944** | **1,399** | **169,343** |
| Purchase of treasury shares | 30 | - | - | - | (29,799) | - | - | - | - | (29,799) | - | (29,799) |
| Transfer of treasury shares | 30 | - | - | - | 1,940 | - | - | - | (1,940) | - | - | - |
| Recognition of share-based payments | 29 | - | - | - | - | - | - | - | 1,954 | 1,954 | - | 1,954 |
| Ordinary share dividend for 2022 | 42 | - | - | - | - | - | - | - | (72,686) | (72,686) | - | (72,686) |
| Dividend paid to non-controlling interest | | - | - | - | - | - | - | - | - | - | (177) | (177) |
| Sale of subsidiary | 48 | - | - | - | - | - | - | - | - | - | 99 | 99 |
| **Transactions with owners in their capacity as owners for year ended 31 December 2023** | | **-** | **-** | **-** | **(27,859)** | **-** | **-** | **-** | **(72,672)** | **(100,531)** | **(78)** | **(100,609)** |
| **Balance at 31 December 2023** | | **18,638** | **15,214** | **3,475** | **(29,982)** | **1,999** | **49,533** | **6,546** | **1,065,391** | **1,130,814** | **11,767** | **1,142,581** |

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements.

# Consolidated Cash-Flow Statement

for the year ended 31 December

| | Notes | 2023<br>HUFm | 2022<br>Restated*<br>HUFm |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 171,540 | 165,663 |
| Depreciation and amortisation | 5 | 50,808 | 48,569 |
| Non-cash items | | 5,405 | 22,078 |
| Net interest and dividend income | 6 | (11,155) | (6,979) |
| Impairment recognised on intangible assets and goodwill | 13,14 | 5,751 | 19,861 |
| Other items | | 3,548 | (2,949) |
| Interest paid | | (14,525) | (7,256) |
| Income tax paid | 7 | (9,744) | (14,290) |
| Gain on disposal of subsidiaries | 48 | (11,436) | - |
| **Net cash-flow from operating activities before changes in working capital** | | **190,192** | **224,697** |
| *Movements in working capital* | | *(66,522)* | *(38,701)* |
| Increase in trade and other receivables | | (23,196) | (51,307) |
| Increase in inventories | | (27,558) | (35,637) |
| (Decrease)/increase in payables and other liabilities | | (15,768) | 48,243 |
| **Net cash-flow from operating activities** | | **123,670** | **185,996** |
| **Cash-flow from investing activities** | | | |
| Payments for property, plant and equipment** | | (61,960) | (59,231) |
| Payments for intangible assets** | | (32,679) | (12,348) |
| Proceeds from disposal of property, plant and equipment | | 3,057 | 2,807 |
| Payments to acquire financial assets | | (38,050) | (57,723) |
| Proceeds on sale or redemption on maturity of financial assets | | 71,895 | 13,523 |
| Disbursement of loans net | | 27,169 | (18,053) |
| Interest received | 6 | 24,844 | 13,418 |
| Dividend received | 6 | 21 | 43 |
| Net cash outflow on purchase of group of assets | 49 | (25,131) | - |
| Net cash outflow on acquisition of subsidiaries | | - | (1,263) |
| Net cash inflow from disposal of subsidiaries | 48 | 10,831 | - |
| **Net cash-flow to investing activities** | | **(20,003)** | **(118,827)** |
| **Cash-flow from financing activities** | | | |
| Purchase of treasury shares | 30 | (29,799) | (1,326) |
| Dividend paid | 42 | (72,863) | (42,146) |
| Principal elements of lease payments | | (1,327) | (3,437) |
| Repayment of borrowings | | (35,753) | (178,487) |
| Proceeds from borrowings | | 35,935 | 178,487 |
| **Net cash-flow to financing activities** | | **(103,807)** | **(46,909)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(140)** | **20,260** |
| **Cash and cash equivalents at beginning of year** | | **79,719** | **59,856** |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (46) | 563 |
| **Cash and cash equivalents at end of year*** ** | **28** | **79,533** | **80,679** |

* The Group reviewed the Consolidated Cash-Flow Statement, as a result of which it modified the presentation of some items in order to provide more reliable and relevant information to the users of the financial statements and to be in line with the requirements of IAS 7.28.

** The Payments for property plant and equipment and the Payments for intangible assets cannot be directly reconciled to the Note 12 Transfers and capital expenditure and Note 14 Additions, because the latter one contains non-material, non-cash addition of the assets, including transfers.

***Cash and cash equivalents at end of year cannot be reconciled directly to Cash and cash equivalents of the Consolidated Balance Sheet due to year end figure of Cash and cash equivalents did not contain the total cash of held for sale companies.

The notes on pages 102-206 form an integral part of the Consolidated Financial Statements

# Notes to the Consolidated Financial Statements

## 1. General background

### 1.1 Legal status and nature of operations

Gedeon Richter Plc. ("the Company"/"Parent Company"), the immediate parent of the Group (consisting of the Parent Company and its subsidiaries), a manufacturer of pharmaceutical products based in Budapest, was established first as a Public Limited Company in 1923. The predecessor of the Parent Company was founded in 1901 by Mr Gedeon Richter, when he acquired a pharmacy. The Company is a public limited company, which is listed on Budapest Stock Exchange. The Company's headquarter is in Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

### 1.2 Basis of preparation

The Consolidated Financial Statements of Richter Group have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (EU) (hereinafter "IFRS"). The Consolidated Financial Statements comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as endorsed by the EU.

The Consolidated Financial Statements have been prepared on historical cost basis of accounting, except for certain financial instruments and investment properties which are measured at fair value. The amounts in the Consolidated Financial Statements are stated in millions of Hungarian Forints (HUFm), unless stated otherwise. The members of the Group maintain accounting, financial and other records in accordance with relevant local laws and accounting requirements. In order to present financial statements which comply with IFRS, appropriate adjustments have been made by the members of the Group to the local statutory accounts.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below or in the relevant note.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 3.

## 1.3 Macroeconomic environment

**A) The impact of supply chain and other macroeconomic factors**

The most serious economic risk to the global economy in winter 2022/23 was the fear of a supply crisis, notably in the area of energy — especially natural gas — and other raw materials. This fear was particularly strong in Europe because many European economies are dependent on imports of raw materials. The feared supply bottlenecks did not arise in Europe. There are several reasons for this: efficient use of raw materials, energy imports from new supplier countries and, finally, a mild winter that kept demand for heating energy low. Even though energy and commodity prices fell during 2023, they are still significantly above the level of the last 15 years. It can be assumed that they will remain above the pre-crisis level (i.e., energy prices before the coronavirus pandemic and the Russian attack on Ukraine) in the coming years.
In 2023, the effects of inflation, rising interest rates, tight labour markets, the war in Ukraine, the climate crisis and rapidly changing macroeconomic conditions created uncertainty and worsened the economic outlook in the global economy. Central banks around the world have increased interest rates across 2022 and 2023 to try and tackle inflation, while attempting to balance this with a need to maintain growth. The main risk is a renewed uptick in consumer price inflation. Particularly at risk are the US and the Eurozone, where real policy rates are trending at the highest levels since January 2008. Keeping rates higher, for even longer, could weigh on economies more significantly, turning mild recessions into deeper ones. Global monetary tightening has exacerbated fiscal and debt vulnerabilities in developing countries. Rising borrowing costs and a strong dollar have increased debt-servicing burdens and debt default risks.

The pharma industry has also been affected by the broader global trends of supply chain disruptions, inflation, and workforce shortage. Following the COVID-19 pandemic, it has become a fundamental objective to mitigate potential future risks by improving the resilience of their global supply chains. In all sectors companies have diversified their exposure by strengthening domestic production.

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

**Availability and pricing of raw materials and finished products**

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

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

**Shipping, distribution, and warehousing**

In transportation the risks (price, delivery time, uncertainties) have decreased on average compared to before, but increased towards Russia and Ukraine which the Company tries to mitigate by planning of alternative options (other ground routes, air transport) and continuous monitoring the current situation.

There is a risk of lack of storage capacity, but it is manageable, however, the increase in inventory required due to the increased procurement time, the acceleration of production, and the slowdown in sales and delivery may lead to storage problems.

During production and sales planning, the Company places special emphasis on harmonizing expected market demands and the amount and timing production in order to mitigate the risk of lost business, excessive storage needs, the time of the production-sales cycle, the increase in production and storage costs.

The Company strives to eliminate the above risks by continuous balancing of supply and demand and by central management of complete inventory management.

**Labour availability and personnel costs**

The pharma industry is also facing talent shortages linked to wider labor market trends. Hiring and retaining talented workforce has also become more challenging in the past few years, posing new challenges to the industry. A more pronounced economic and geopolitical volatility together with social and environmental tensions have reshaped the labour market. Innovation is a key driver for pharmaceutical industry and without a properly qualified scientific workforce companies face obstacles to strengthen their position and competitiveness.

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

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

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

- Wage increases and the career opportunities helping the long-term commitment to the Company (loyalty program);
- Contracting with international head-hunters;
- University training collaborations, presence at universities;
- Teleworking for foreigners;
- Employer branding development;
- New recruitment techniques, new channels;
- Fluctuation monitoring, search for individual solutions in the affected areas;
- Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning;
- Education, development programs;
- Mental health support;
- Management training programs, marketing of management positions;
- Reduction of labor demand - Robotization, IT developments, paperless processes, transformation of processes, increase in efficiency.

**Inflation risks**

Higher inflation levels affect the judgements and estimates used in the preparation of the financial statements, including the predicted costs used in the going concern/impairment review and the assumptions made about pension obligations.
A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable.
A rise in energy prices may result is a significant increase in expenses (directly and indirectly), price volatility may also be high, which may make difficult planning and operation.
There is also a significant risk in optimally managing the increase in costs to retain and acquire workforce.
The following risk management procedures are applied:

- The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting;
- Increase of sales prices;
- Early procurement;
- Proper planning and conscious scheduling of procurement.

**Risk of managing and investing financial assets**

Interest rate risk: Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses); Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital. The majority of securities, with the exception of short-term government securities, are valued at fair market value, so there is no hidden interest rate risk.
Partner risk: Significant adverse changes in the position of our partners (typically banks) may result in losses.
Liquidity risk: The Company is unable or able only at the cost of material financial losses to meet its payment obligations.

The Group applies the following risk management procedures:

- Financial investment regulations, strict compliance, daily limit monitoring, risk manager, reports; annual review and development;
- Centralized control of free cash of subsidiaries;
- Interest rate risk: limits (duration), interest rate swaps (protection against increase of rates), continuous monitoring, investment decisions, an increase in spreads may mean some risk;
- Partner risk: partner limits, involvement of new partners, partner selection, diversified portfolio and assets (ETF), contracting based on ISDA (reduction of legal risks);
- Liquidity risk: treasury activity, liquidity limits, Cash-flow planning, payment planning, adequate flow of information to treasury, repo transactions, borrowing;
- Monthly investment and risk management report;
- Investment Committee – weekly.

**Foreign exchange risk on cash-flows and financial instruments**

The Group is highly exposed to RUB and USD and other currencies on the revenue side and has foreign currency financial instruments. Exchange rate fluctuations may distort all income measured in HUF and EUR and may cause losses.
Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency changes significantly. Extra accounting results might be generated in both directions.
In the case of RUB, hedging with derivative transactions is not possible, we are trying to mitigate the risk with other methods (e.g., discounting).

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

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

**B) Climate-related and ESG risks**

Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. Many production processes should be rethought in the future. At the production process we have to adapt to this. If the Company would delay activity on this field, it could cause significant competitive disadvantage.
We have to adapt to the increasing investor expectations, changing consumer habits and preferences in this area as well, supporting sustainable development and green technologies.

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

**Environmental Protection**

Minimising the environmental load of its manufacturing activities is a priority task for Richter, therefore the most state-of-the-art technologies are applied in order to continuously decrease negative environmental impacts.

By determining its carbon footprint, Richter has laid the foundations to take the necessary steps to reach the target set by the European Union's "Fit for 55" programme. Carbon footprint calculations are to be carried out on an annual basis to monitor progress towards the targets. In 2023, carbon footprint calculations for the year 2022 were completed for the European manufacturing subsidiaries (Poland, Romania and Russia) as well as for the joint ventures (Germany and India).

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

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

**Occupational Health and Safety**

A typical source of hazard at Richter's workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs). Employees apply individual protective devices on an ongoing basis.

The EHS experts help to raise EHS awareness in Hungary, to promote the prevention of critical incidents and to assess possible deviations through safety walkthroughs and transparent communication. Due to these efforts, similarly to 2022, there were no serious work-related accidents in 2023, no deficiencies of note were found by the relevant authorities, and no fine was imposed.

Richter has been constantly working on optimising its health and safety processes; following the passing in 2023 of the revision audit of the Occupational Safety and Health Management System (MEBIR) under Hungarian Standard MSZ ISO 45001:2018 by the supervisory agencies, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules and regulations.
Richter fully complies with the requirements of chemical safety set out in the EC regulations REACH and CLP and pays special attention to the provisions of the directive on equipment of potentially explosive atmospheres (ATEX), as well as to the requirements related to the prevention of serious accidents.

**Human Resource Management**
One of Richter's strategic goals is to build a future proof organisation that is able to anticipate the complex internal and external challenges. We put people at the center, and we are committed to fostering an environment where people feel valued, developed, and rewarded regardless of any visible or invisible differences. We continuously build our culture around the four key Richter values (People, Accountability, Innovation and Excellence) to enable our more than 11 000 employees to reach their full potential.
With the aim to offer equal opportunities in recruitment, development, career and pay we continuously audit our processes and policies and put in place an extensive DEI plan by focusing as a first step on gender and multi-age diversity.

**Policy of Diversity**
Throughout its operation Richter lays great store by personal values and individual characteristics. According to the Group's creed the exploitation of varying characteristics is the corner stone of innovation and success and believes that the Group's success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual's personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Group's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter's operation; when drafting internal regulations the Group strives to shape the corporate environment to meet this principle.

In the spirit of diversity, when composing the Group's leading bodies priority will be given to knowledge related to Richter's main business and character as a multinational pharma group, expertise in the economic, scientific, social, and environmental contexts of the Group's operation, effective and efficient cooperation between professionals of different genders, representing both older and younger generations, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in areas relevant to Richter (pharmaceutical research, R&D, healthcare, finance, capital markets, and general management); Richter, therefore, tries to have members with appropriately diverse professional backgrounds serving on its leading bodies.

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

## 1.4 Adoption of new and revised standards

**A) The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2023**

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

- New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17;
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors";
- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting policies;
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 12 "Income Taxes" – International Tax Reform — Pillar Two Model Rules.

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

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

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements;
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates".

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

Any other new/modified standards or interpretations are not expected to have a significant impact on the Consolidated Financial Statements of the Group.

# 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

## 2.1 Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Parent Company and entities directly or indirectly controlled by the Parent Company (its subsidiaries), the joint arrangements (joint ventures) and those companies where the Parent Company has significant influence (associated companies). The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred except the cost to issue debt or equity instrument. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## 2.2 Transactions and balances in foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group entity are expressed in Hungarian Forints (HUF), which is the functional currency of the Parent Company and the presentation currency for the Consolidated Financial Statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement. Foreign exchange gains and losses are presented in the Consolidated Income Statement within "Finance income" or "Finance costs".

On consolidation, the assets and liabilities of the Group's foreign operations are translated at the exchange rate of the Hungarian National Bank rates prevailing on the balance sheet date except for equity, which is translated at historic value. Income and expense items are translated at the average exchange rates weighted with monthly turnover. Exchange differences arising, if any, are recognised in other comprehensive income.

Such translation differences are recognised as income or as expenses in the period in which the Group disposes of an operation.
Conversion into Hungarian Forints of Group's foreign operations that have a functional currency not listed by the National Bank of Hungary ("NBH") is made at the cross rate calculated from Bloomberg's published rate of the given currency to the USD and NBH's rate of the HUF to the USD.
In special cases (in the absence of the above, or if the scheduling of daily transaction tasks do not allow waiting for the publication by Bloomberg of the transaction currency to USD exchange rate referred to above), the conversion into HUF shall be carried out at the cross rate calculated from the transaction currency to USD rate published by the national bank issuing the transaction currency and the functional currency to USD rate published by the NBH.
The method of translation is the same as mentioned above.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.3 Revenue recognition and interest income and dividend income

Revenue is shown net of value-added tax, returns, rebates and discounts as well as considering the estimated discounts to be provided after the sales already performed and after eliminating sales within the Group. Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Some of the customer contracts contains a right of return clause under certain condition, but the estimated effect of such future returns deemed to be immaterial. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Variability mainly relates to the discounts referred above, where revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

**A) Sales revenue**
Revenue is defined as income arising in the course of an entity's ordinary activities. The Group's revenue primarily comes from:

- sale of pharmaceutical products produced and purchased by the Group;
- royalty and license income from products already on the market arising from license agreements with various pharmaceutical companies;
- performance-related milestone payments received for products with marketing authorisation (e.g. cumulative sales related milestone);
- contract manufacturing service;
- other services including provision of marketing service, performing transportation activity etc.

**B) Sale of pharmaceutical products (including wholesale and retail activity)**
The Group manufactures and sells a range of pharmaceutical products.
Revenue is recognized when it is likely that the Group, satisfies a performance obligation by transferring promised goods to a customer. For the vast majority of contracts, revenue is recognized when the product is physically transferred and the customer obtains control, in accordance with the delivery and acceptance terms agreed with the customer. Obtaining control implies the ability to prevent other entities from directing the use of and obtaining the benefits from a good.
The Group most often uses the following trade terms: CIP, EXW, CIF, FOB, DAP, DDP, CPT.

In the case of contracts with wholesalers, Group does not recognize revenue when the product is physically transferred to the wholesaler if the products are sold on consignment, or if the wholesaler acts as agent. In such cases, revenue is recognized when control is transferred to the end customer.
In certain cases, the Group has contract with customers, under which the Group produces pharmaceutical products which has no alternative use (e.g. due having a unique packaging) and receives a binding purchase order for the entire batch of products from the customer. This can provide the Group with an enforceable right to the payment for performance completed to date and in that case the Group accounts for the revenue over time.

The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.,

**C) Licenses and royalties**

The royalty and licence income mainly comprise royalties received from licensing intellectual property rights to third parties, the most significant of which is the agreement with AbbVie in relation to Vraylar® as disclosed in Note 4.

Sales-based royalties received under licensing arrangements (including the Vraylar® contract referred above) are recognized over the period during which the underlying sales are recognized.

Certain contracts may include milestone payments related to products with marketing authorisation (e.g., cumulative sales related milestone), where the associated revenue is accounted for when such a milestone is achieved.

**D) Contract manufacturing and other services**

Rendering services, such contract manufacturing, marketing and research and development services and are performance obligations, which are satisfied over time. At the end of each reporting period, the Group remeasures the progress towards complete satisfaction of such services and recognizes revenue accordingly.

The revenue from the services is recognised in accordance with the rate of completion of the transaction during the accounting period for the rendering services and is assessed based on direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

**E) Interest income**

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets, presented as "Finance income" or "Finance costs". Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of "Finance income".

**F) Dividend income**

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI). Dividends from these financial assets are recognised as "Finance income" in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits unless the dividend clearly represents a recovery of part of the cost of an investment.

All other accounting policy regulation are detailed in the relevant disclosure of the Consolidated Financial Statement.

# 3. Key sources of estimation uncertainty and critical accounting judgements

In the application of the Group's accounting policies Management is required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are the following:

## 3.1 Key sources of estimation uncertainty

Russian-Ukrainian conflict

Business in Russia suffered slight temporary delays in the early days of the military conflict, shipments have since then broadly returned to their pre-war routine. In-market sales figures (IQVIA, data for the first eleven months 2023) suggest that retail sales recorded in RUB terms by Richter products increased by 8.6 % significantly exceeding overall market growth at 3.1% in RUB terms, primarily related to price increases implemented by manufacturers and distributors.

Sales to Russia at HUF 116,893 million decreased by 9.4% in HUF terms (increased by in RUB 20.2%). The exchange rate of RUB against the HUF declined on an average by 24.7% compared to 2022. Notwithstanding a volatile market environment presenting unforeseeable risks connected to the ongoing war and the subsequent sanctions imposed on Russia, business operations prevailed broadly at levels experienced prior to the war. Sales in this business unit were primarily driven by gynaecology and cardiovascular products.
Price increases impacted our year-on-year performance achieved during the reported year on this market by an average of 4.7% implemented on our portfolio of non-EDL drugs. Nearly stagnating volumes at the wholesaler level were therefore complemented by the higher prices applied.

Starting March 2022, we have served Russian wholesalers exclusively from the Gedeon Richter RUS warehouse. Invoices to wholesalers are issued in RUB as previously by local subsidiaries of the Group. Invoices between the latter and the Parent are settled in USD with effect from second quarter 2022. Approximately third of our local turnover is naturally hedged, covering the RUB incurred costs of local manufacturing and marketing activities while the exchange rate risk of the cash-flow of internal transfers is managed by the Parent Company within the framework of a rolling hedge program.

In 2023, the Group's sale reported in Ukraine shows an increase of 5.7% in HUF terms compared to the base year. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 53 of our products was initiated in October 2022 on this legal basis. Authorities warned the Company that should it maintain its Russian manufacturing base, marketing authorizations will be revoked in respect of 10 Richter brands sold in 29 different formulations with effect from early 2025. Richter is going to legally challenge this decision.

On the balance sheet date, the Group has an exposure on the following items in the balance sheet in connection with Russian and Ukrainian subsidiaries.

| **Exposure factors (HUFm)** | **Russia** | **Ukraine** | **Total** |
|---|---|---|---|
| Property, plant and equipment | 16,777 | 438 | **17,215** |
| Other intangible assets | 92 | 1 | **93** |
| Trade receivables | 43,350 | - | **43,350** |
| Inventories | 48,118 | 2 | **48,120** |
| Cash and cash equivalents | 9,003 | 7 | **9,010** |
| **All exposures** | **117,340** | **448** | **117,788** |

In addition, the involvement of the Parent Company is the most significant (among the members of the Group), as it handles most transactions with the Russian and Ukrainian subsidiaries.

| **Exposure factors at the Parent (HUFm)** | **Russia** | **Ukraine** | **Total** |
|---|---|---|---|
| Loans given to subsidiaries | 3,928 | 13 | **3,941** |
| Trade receivables | 112,827 | 2,958 | **115,785** |
| *- from this: amounts due from subsidiaries* | 112,573 | - | **112,573** |
| Bonds | 826 | - | **826** |
| Inventories | 2,489 | 1,495 | **3,984** |
| Cash and cash equivalents | 481 | 6 | **487** |
| **All exposures** | **120,551** | **4,472** | **125,023** |

In 2023 the sales to the two countries amounted to 15.9% (2022:17.4%) of the Group's total revenue in the value of HUF 128,006 million (2022: HUF 139,584 million).

| | **Russia** | **Ukraine** | **Total** |
|---|---|---|---|
| Revenue in 2023 (HUFm) | 116,893 | 11,113 | **128,006** |
| *Proportion of the total revenues* | *14,5%* | *1,4%* | ***15,9%*** |

Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 13. The impairment assessment performed by the Group contains significant estimates that depend on future events. The assumptions used and the sensitivity of the estimation is presented in detailed in Note 13.

Depreciation and amortization

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives.

The appropriateness of the estimated useful lives is reviewed annually. If the estimated useful lives were lower by 10% in comparison to management's estimates, depreciation for the year ended 31 December 2023 would be greater by HUF 5,074 million. This change would have been HUF 4,780 million in 2022.
The Group recorded depreciation and amortisation expense in the amount of HUF 45,567 million and HUF 42,925 million for the years ended 31 December 2023 and 2022, respectively.

Unlike property, plant and equipment and intangible assets, there is another type of decision uncertainty when reviewing the depreciation of the right-of-use assets, whereas the estimated useful lives of these assets are essentially determined by the duration of the lease and not by the useful life of the asset. The depreciation of the right-of-use assets during the current year was not significant (HUF 5,241 million) comparing to the depreciation of the fixed assets (HUF 45,567 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use asset is not quantified.

## 3.2 Critical judgements in applying entities accounting policies

Deferred tax at Parent Company

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

The Company has a significant amount of development tax credit, qualifying as an investment tax credit from IFRS point of view and (as a result of the change in accounting policy) treats it analogously to tax credits under IAS 12. On December 31, 2023, the recognised amount of deferred tax accounted for in connection with tax credits was HUF 13,213 million (on 31 December 2022 HUF 13,495 million), of which HUF 2,144 million was used in 2023, and HUF 1,861 million is the interest effect of conversion to current price.

The deferred tax expense in presented in Note 19.

# 4. Segment Information

**Accounting policy**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors as chief operating decision-makers. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions.

Management has determined the operating segments based on the reports prepared on an IFRS basis and reviewed by the Board of Directors (Chief Operating Decision Makers) that are used to make strategic decisions. From a management point of view, the Group can be divided into two main segments, with several business units below them:

a) Pharma Segment

- Women's Healthcare (WHC):
  By addressing unmet needs and staying ahead of innovation we aim to become the leading provider of pharmaceutical products for European women by the end of the decade.

- Neuropsychiatry (CNS)
  Leveraging our world class early phase R&D capability in the central nervous system domain we are building a pipeline of small molecule drug candidates mainly in the field of neuropsychiatry.

- Biotechnology (BIO)
  Leverage our biotechnology platform to develop and manufacture biosimilar drugs for global markets.

- General medicine (GM)
  Comprises our established and generic portfolio in various therapeutic areas in the Central and Eastern European regions.

- Other pharma

b) Other segment includes the remaining wholesale and retail business of the Group and all other activities.

## 4.1 Business segments

| | Neuropsychiatry (CNS) HUFm | | General Medicines (GM) HUFm | | Women's Healthcare (WHC) HUFm | | Biotechnology (BIO) HUFm | | Pharma other HUFm | | Total HUFm | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Revenues | 205,662 | 145,902 | 226,888 | 225,916 | 255,673 | 229,206 | 46,201 | 41,185 | 13,022 | 14,134 | 747,446 | 656,343 |
| Cost of sales | (1,249) | (736) | (105,142) | (101,935) | (86,348) | (66,543) | (29,419) | (27,827) | (11,291) | (11,847) | (233,449) | (208,888) |
| **Gross profit** | 204,413 | 145,166 | 121,746 | 123,981 | 169,325 | 162,663 | 16,782 | 13,358 | 1,731 | 2,287 | 513,997 | 447,455 |
| Sales and marketing expenses | (3,374) | (3,177) | (45,229) | (48,493) | (84,937) | (79,641) | (6,638) | (6,121) | (1,265) | (1,159) | (141,443) | (138,591) |
| Administration and general expenses | (770) | (377) | (19,744) | (13,609) | (21,193) | (13,366) | (4,052) | (2,315) | (1,082) | (851) | (46,841) | (30,518) |
| Research and development expenses | (24,737) | (21,951) | (10,627) | (9,392) | (16,409) | (18,984) | (26,571) | (24,782) | - | - | (78,344) | (75,109) |
| Claw-back | (726) | (425) | (2,827) | (2,169) | (7,366) | (4,783) | (704) | (350) | - | - | (11,623) | (7,727) |
| Milestone | 81 | 10,616 | - | - | 8 | 7 | 508 | - | - | - | 597 | 10,623 |
| **Clean EBIT** | 174,887 | 129,852 | 43,319 | 50,318 | 39,428 | 45,896 | (20,675) | (20,210) | (616) | 277 | 236,343 | 206,133 |

| **Ratios** | % | % | % | % | % | % | % | % | % | % | % | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross margin | 99.4 | 99.5 | 53.7 | 54.9 | 66.2 | 71.0 | 36.3 | 32.4 | 13.3 | 16.2 | 68.8 | 68.2 |
| Clean EBIT margin | 85.0 | 89.0 | 19.1 | 22.3 | 15.4 | 20.0 | -44.8 | -49.1 | -4.7 | 2.0 | 31.6 | 31.4 |

| | Pharmaceuticals total HUFm | | Other HUFm | | Eliminations HUFm | | Group total HUFm | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| Revenues | 747,446 | 656,343 | 70,874 | 164,287 | (13,162) | (17,875) | 805,158 | 802,755 |
| Cost of sales | (233,449) | (208,888) | (63,223) | (151,297) | 12,838 | 17,894 | (283,834) | (342,291) |
| **Gross profit** | 513,997 | 447,455 | 7,651 | 12,990 | (324) | 19 | 521,324 | 460,464 |
| Sales and marketing expenses | (141,443) | (138,591) | (4,604) | (8,896) | - | - | (146,047) | (147,487) |
| Administration and general expenses | (46,841) | (30,518) | (3,731) | (4,345) | - | - | (50,572) | (34,863) |
| Research and development expenses | (78,344) | (75,109) | - | - | - | - | (78,344) | (75,109) |
| Claw-back | (11,623) | (7,727) | - | - | - | - | (11,623) | (7,727) |
| Milestone | 597 | 10,623 | - | - | - | - | 597 | 10,623 |
| **Clean EBIT** | 236,343 | 206,133 | (684) | (251) | (324) | 19 | 235,335 | 205,901 |

| **Ratios** | % | % | % | % | % | % | % | % |
|---|---|---|---|---|---|---|---|---|
| Gross margin | 68.8 | 68.2 | 10.8 | 7.9 | 2.5 | -0.1 | 64.7 | 57.4 |
| Clean EBIT margin | 31.6 | 31.4 | -1.0 | -0.2 | 2.5 | -0.1 | 29.2 | 25.6 |

## 4.2 Entity wide disclosures

Richter has aligned its reporting geographies to reflect the regional split followed in its regular operations. From 2023, the main reporting regions consist of Europe, North America, Latin America, Asia-Pacific (APAC region) and Rest of the World.

The external customers of the Group are domiciled in the below presented regions:

| 2023 | Europe<br>HUFm | APAC<br>HUFm | North America<br>HUFm | Latin America<br>HUFm | Other countries<br>HUFm | Total revenues<br>HUFm |
|---|---|---|---|---|---|---|
| Timing of revenue recognition | | | | | | |
| At a point in time | 486,769 | 40,425 | 213,341 | 31,514 | 7,708 | 779,757 |
| Over time | 14,187 | 2,642 | 7,849 | 169 | 554 | 25,401 |
| **Revenues** | **500,956** | **43,067** | **221,190** | **31,683** | **8,262** | **805,158** |
| Total assets | 1,320,358 | 14,622 | 3,092 | 23,145 | - | 1,361,217 |
| Capital expenditure | 94,080 | 344 | - | 215 | - | 94,639 |

| 2022 | Europe<br>HUFm | APAC<br>HUFm | North America<br>HUFm | Latin America<br>HUFm | Other countries<br>HUFm | Total revenues<br>HUFm |
|---|---|---|---|---|---|---|
| Timing of revenue recognition | | | | | | |
| At a point in time | 549,250 | 36,078 | 157,417 | 23,455 | 5,325 | 771,525 |
| Over time | 14,128 | 2,999 | 8,562 | 4,427 | 1,114 | 31,230 |
| **Revenues** | **563,378** | **39,077** | **165,979** | **27,882** | **6,439** | **802,755** |
| Total assets* | 1,317,524 | 13,236 | 2,862 | 20,162 | - | 1,353,784 |
| Capital expenditure | 71,103 | 192 | - | 284 | - | 71,579 |

* See Note 50 on the details of restatement

.

Revenues from external customers are derived from the sale of goods, revenue from services and royalty incomes as described below.

| **Analyses of revenue by category** | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---|---|
| Sale of pharmaceutical products | 585,182 | 633,368 |
| Revenue from services | 20,672 | 19,662 |
| Royalty income | 199,304 | 149,725 |
| **Total revenues** | **805,158** | **802,755** |

Revenues of approximately HUF 194,284 million (2022: HUF 138,114 million) are derived from a single external customer (AbbVie) that 24.13% of total revenues. The revenue is related to royalty payments of Vraylar® and are attributable to the Neuropsychiatry segment and located in the USA region. There was no other customer exceeding 10% of revenues either in 2023 or in 2022.

## 5. Profit from operations – expenses by nature

| | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---|---|
| Revenues | 805,158 | 802,755 |
| *from this: royalty and other similar income* | *199,304* | *149,725* |
| Changes in inventories of finished goods and work in progress, cost of goods sold | (114,187) | (204,662) |
| Material type expenses | (213,750) | (179,151) |
| Personnel expenses | (180,052) | (167,368) |
| Depreciation and amortisation (Note 12 and 14) | (50,808) | (48,569) |
| *from this: IFRS16 related* | (5,241) | (5,644) |
| Other income | 10,778 | 23,688 |
| Other expenses | (67,322) | (74,702) |
| (Impairment)/reversal of impairment on financial and contract assets | (453) | 1,564 |
| **Profit from operations** | **189,364** | **153,555** |

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

| **Deloitte Auditing and Consulting Ltd.** | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---|---|
| Richter – annual audit – separate financial statement | 38 | 25 |
| Richter – annual audit – consolidated financial statement | 16 | 7 |
| ESEF audit | 6 | 10 |
| **Total** | **60** | **42** |

**Deloitte Network**

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Audit based on statutory provisions | 131 | 173 |
| Other services providing assurance | 6 | - |
| Tax consulting services | - | 4 |
| Other audit services | 9 | - |
| Other non-audit services | - | 9 |
| **Total** | **146** | **186** |

**The balance of impairment on financial and contract assets**

The impairment recognised on financial and contract assets in accordance with IFRS 9 was HUF 453 million in 2023 and HUF 1,564 million reversal in 2022.

**Other income and Other expenses**

Other income changed from HUF 23,688 million in the base period to HUF 10,778 million in 2023.

In the reported year the Company received HUF 597 million one-off payments and compared to the one-off payments realised from cariprazine and the collaboration with AbbVie covering the field of neuropsychiatric diseases in the reference period and amounting to a total of HUF 10,623 million.

Other expenses decreased from HUF 74,702 million in the previous year to HUF 67,322 million in 2023.

Hungarian Government decided on 23 December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as other expense in 2022. This amount is HUF 399 million higher in 2023.

In every year the Group reviews it's ongoing development projects as a result of which the contracts may be terminated and product developments stopped. Impairment reported on intangibles in the current year amounted to HUF 4,127 million. In 2022 the impairment reported on intangibles was HUF 18,979 million.

In 2023 HUF 7,746 million was reported in impairment and scrapping of inventories, HUF 517 million less than in the reference year.

Claw-back expenses are partial repayments of the received Sales revenue of the reimbursed products to the State where the product was distributed (further "claw-back"). In accordance with the announced claw-back regime local authorities established the amount of extraordinary tax to be paid based on the comparison of the subsidies allocated for reimbursed drugs and manufacturers' sales thereof. Other expenses include expenditures in respect of the claw-back regimes effective in Hungary, Romania, Germany, France, Spain, Portugal, Belgium, Italy, Bulgaria, Austria, Poland, Latvia, Lithuania, Croatia, Slovenia, Greece, Ireland, UK and Switzerland amounting to HUF 11,623 million in 2023 (in 2022 HUF 7,727 million).

Depreciation charge of right-of-use assets:

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Land | (27) | (24) |
| Building | (2,672) | (3,260) |
| Machinery | (3) | (5) |
| Office equipment | (15) | (16) |
| Vehicles | (2,524) | (2,339) |
| **Total** | **(5,241)** | **(5,644)** |

The Consolidated Income Statement includes HUF 1,797 million in 2023 (in 2022 HUF 1,459 million) expenses from short-term, low-value and variable lease payments.

## 6. Net financial result

The Group is translating its foreign currency monetary assets and liabilities to the year-end exchange rate on individual item level, which is presented in the Consolidated Income Statement separately as "Finance income" or "Finance costs". Since the Management of the Group is analysing these translation differences on net basis, balances are presented on net basis as follows:

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| **Unrealised financial items** | **(12,138)** | **(17,887)** |
| Exchange gain/(loss) on trade receivables and trade payables | 1,531 | (16,740) |
| (Loss)/gain on foreign currency loans receivable | (3,702) | 3,842 |
| (Loss)/gain on foreign currency securities | (236) | 1,391 |
| Result of unrealised forward exchange contracts | (231) | 10 |
| Unrealised loss of cash-flow hedge (reclassification from OCI) | (277) | - |
| Foreign exchange difference of other financial assets and liabilities | (531) | (780) |
| Unwinding of discounted value related to contingent-deferred purchase price liabilities | (79) | (37) |
| Interest expenses related to IFRS 16 standard | (815) | (774) |
| Year-end foreign exchange difference related to IFRS 16 standard | 134 | (85) |
| Impairment loss on investments (Note 15) | (1,624) | - |
| Unrealised fair value difference on financial instruments | (3,933) | (4,417) |
| Impairment of securities | (2,375) | (297) |
| **Realised financial items** | **(11,820)** | **23,845** |
| Gain/(loss) on forward exchange contracts | 6,524 | (6,380) |
| Exchange (loss)/gain realised on trade receivables and trade payables | (39,025) | 24,636 |
| Foreign exchange difference on conversion of cash | (2,398) | 1,651 |
| Dividend income | 21 | 43 |
| Interest income | 24,844 | 13,418 |
| Interest expense | (14,525) | (7,256) |
| Realised gain/(loss) of cash-flow hedge (reclassification from OCI) | 3,458 | (95) |
| Result of sale of equity instruments | (1,954) | (3,112) |
| Disposal of subsidiaries | 11,436 | - |
| Other financial items | (201) | 940 |
| **Total** | **(23,958)** | **5,958** |

Unrealised financial items were significantly affected by the 3.86 RUB/HUF, 346.44 USD/HUF and 382.78 EUR/HUF exchange rates related translation on 31 December 2023. See the results of the foreign sensitivity tests in Note 9.

The unrealised fair value difference on financial instruments was HUF 3,933 million loss in 2023, which consist of HUF 14,827 million gain for government securities and corporate bonds, HUF 12,043 million loss for debt on issue of bond, HUF 1,129 million loss for derivatives and HUF 5,588 million loss for other financial asset. In 2022 this fair value difference was HUF 4,417 million loss.

From 2021, the Company enters into cash-flow hedging transactions. In 2023, it realized financial gain of HUF 3,458 million (in 2022 loss of HUF 95 million).

In addition to this, the Company also concludes futures transactions for trading purposes. In 2023, on these transactions the Company realized HUF 6,524 million financial gain. The reason for this was primarily the change in the USD and EUR exchange rate. In 2022, on these transactions the Company realized HUF 6,380 million financial loss.

During the current year, some of the US Treasury Bills were sold from the debt instruments valued at AC. Financial loss of HUF 1,954 million was generated from the exchange rate difference realized at the disposal. In 2022, on the sold of debt instruments (government bonds) were realized loss of HUF 3,112 million.

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

# 7. Income tax

**Accounting policy**
The tax expense for the period comprises current and deferred tax.
The Group considers the following taxes to qualify to be income tax:
- Corporate Income Tax,
- Local Business Tax,
- Innovation Contribution.

In case the Group is eligible for investment tax credit, the accounting treatment of which is analogous to tax credits under IAS 12. Accordingly, a deferred tax asset is recognized for the investment tax credits in the amount which will be recovered in future periods.

| | 2023<br>HUFm | 2022 Restated*<br>HUFm |
|---|---|---|
| Corporate income tax | (4,927) | (5,429) |
| Local business tax | (5,265) | (5,431) |
| Innovation contribution | (794) | (822) |
| **Current tax** | **(10,986)** | **(11,682)** |
| Deferred tax (Note 20) | 97 | 16,769 |
| **Deferred tax** | **97** | **16,769** |
| **Income tax** | **(10,889)** | **5,087** |

* See Note 50 on the details of restatement

In 2023 the average effective tax rate calculated on the basis of the current tax is 6.4% and also 6.3% taking into account the effect of deferred tax as well, in 2022 these rates were 7.1% and 3.1% respectively.

Current corporate tax rates at the Parent Company and at the three most significant subsidiaries are as follows:

| | |
|---|---|
| Parent Company | 9.0% |
| Romania | 16.0% |
| Russia | 20.0% |
| Poland | 19.0% |

The tax authorities may at any time inspect the books and records within the time frame described in the related statutory regulation and may impose additional tax assessments with penalties and penalty interest. Management is not aware of any circumstances which may give rise to a potential material liability in this respect.



Tax rate reconciliation

| | 2023<br>HUFm | 2022<br>Restated*<br>HUFm |
|---|---|---|
| **Profit before income tax** | **171,540** | **165,663** |
| Tax calculated at domestic tax rates applicable to profits in the respective countries[1] | 18,031 | 13,130 |
| *Tax effects of:* | | |
| Associates results reported net of tax | (552) | (554) |
| Income not subject to tax | (8,975) | (8,112) |
| Expense not deductible for tax purposes | 1,605 | 2,339 |
| Expense eligible to double deduction[2] | (5,475) | (5,145) |
| The effect of changes in tax loss for which no deferred income tax has been recognised[3] | 3,910 | 1,153 |
| Other income taxes | 5,852 | 7,718 |
| Correction of tax return | (7) | (214) |
| Effect of change in tax rate | - | (4) |
| Impact of deferred tax exceptions on subsidiaries and goodwill[4] | 241 | 156 |
| Deferred tax asset related unused tax loss carried forward, recognised current year due to return | (1,765) | (1,101) |
| Deferred tax asset from the previous years, which recognised due to return in this year | - | (13,495) |
| Investment tax credit | (1,861) | (958) |
| Other, individually insignificant items | (115) | - |
| **Tax charge** | **10,889** | **(5,087)** |

* See Note 50 on the details of restatement
(1) The tax has been calculated with domestic tax rates including the effect of every income tax (including e.g. local business tax).
(2) These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
(3) Unused tax loss of the current year on which no deferred tax asset has been recognised adjusted by the effect of the tax loss utilised in current period on which no deferred tax asset was recognised.
(4) Deferred tax liability is not recognized in accordance with IAS 12.15 on the related temporary difference.

Investment tax credit

The Company would like to use investment tax credit in the amount of HUF 2,160 million regarding three projects in Budapest:

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

The equipment that formed part of all three projects was commissioned.

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

Following a significant improvement in the financial performance, the Company determined that sufficient taxable profits will be available, and the investment tax credit can be utilised.

Accounting treatment of the tax credit
The Company assessed this tax credit to be an investment tax credit and applied analogy of tax credits described in IAS 12 para 34-36 and recognised deferred tax accordingly.

# 8. Consolidated earnings per share

As of 31 December 2023 and 31 December 2022 there are no potential dilutive instruments issued by the Group, that would modify the basic EPS.

**EPS (basic and diluted)**

| | 2023 | 2022 Restated* |
|---|---|---|
| Net consolidated profit attributable to owners of the parent (HUFm) | 158,850 | 169,076 |
| Weighted average number of ordinary shares outstanding (thousands) | 184,769 | 186,333 |
| **Earnings per share (HUF)** | **860** | **907** |

* See Note 50 on the details of restatement



# 9. Financial instruments

This note provides information about the Group's financial instruments, including the followings:

- Relevant Accounting policies
- An overview of all financial assets and financial liabilities held by the Group
- Information about the Group's financial risk and capital management.

**Accounting policy**
*Financial assets*
The Group reports its financial assets as:

A) Debt instruments measured at amortised cost
- Loan receivables
- Government securities, corporate bonds and long-termed deposits

In case of capital contribution, the Group implicitly presents the transaction as debt instrument.

B) Debt instruments and Equity instruments measured at fair value through OCI
The Parent Company has debt instruments (government securities, corporate bonds) managed under a different business model as a non-current financial assets at FVOCI, based on that the business model is achieved by both collecting contractual cash-flows and selling financial assets ("hold & sell" business model), and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
The Group recognised equity instruments as financial assets at FVOCI and applies the fair value option for these instruments, which are investments in Exchange Traded Funds (ETF). If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI.

C) Debt instruments designated at fair value through profit or loss using fair value option
The Group has chosen the fair value option for certain financial instruments (government and corporate bonds which related to interest rate swap), i.e. it recognizes the financial asset or financial liability at fair value through profit or loss if it eliminates or materially reduces recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The use of the fair value option also provides more relevant information about financial instruments in the financial statements. The fair value option is not applied to all financial assets or liabilities, but only to certain financial instruments designated by the Group at initial recognition. The Group irrevocably decides to exercise the fair value option at initial measurement to these designated items.

Impairment
Credit loss allowance for Expected Credit Loss (ECL): The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Historical loss rates are determined by the Group based on the payment experience of the previous 3 years. Defining forward-looking information, the Group takes into account the change in the Probability of Default (PD) of the receivables with the largest receivable amount (based on market information) and thus corrects historical loss rates. The impact of forward-looking information on impairment is not significant.

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

*Financial liabilities*
The Group decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The transactions of issue of the bond and fixed interest rate swaps were concluded at the same time.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities constituting trade payables are described separately in Note 37 Trade payables.

The Group holds the following financial assets and liabilities. It does not include fair value information for financial assets and liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

| | Notes | Carrying value | | Fair value | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | 31 December | | 31 December | |
| | | HUFm | HUFm | HUFm | HUFm |
| **Financial assets measured at fair value[1]** | | | | | |
| *Financial assets measured at FVOCI* | | | | | |
| Government securities, corporate bonds (debts)[2] | 18,26 | 28,346 | 28,979 | 28,346 | 28,979 |
| Equity instruments | 18 | 36,326 | 35,318 | 36,326 | 35,318 |
| Investments | 18 | 8,521 | 5,432 | 8,521 | 5,432 |
| | | **73,193** | **69,729** | **73,193** | **69,729** |
| *Financial assets measured at FVTPL* | | | | | |
| Government securities, corporate bonds[2] – designated as at FVTPL at initial recognition | 17 | 75,839 | 61,715 | 75,839 | 61,715 |
| Other financial asset (Mycovia) | 17 | 0 | 6,009 | 0 | 6,009 |
| Derivative financial instruments | 11 | 15,075 | 30,559 | 15,075 | 30,559 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 11 | 10,914 | 3,041 | 10,914 | 3,041 |
| | | **101,828** | **101,324** | **101,828** | **101,324** |
| **Financial assets measured at amortised cost[1]** | | | | | |
| Government securities, corporate bonds (debts) | 16,25 | 6,140 | 40,660 | 6,076 | 40,205 |
| Loan receivables[3] | 16,25 | 4,219 | 24,857 | 4,219 | 24,857 |
| Trade receivables | 22 | 204,968 | 175,182 | 204,968 | 175,182 |
| Cash and cash equivalents | 28 | 80,493 | 79,719 | 80,493 | 79,719 |
| | | **295,820** | **320,418** | **295,756** | **319,963** |

[1] All financial assets are free from liens and charges.
[2] The fair value of interest rate swap was discounted to present value by the Group using the available interest rate curve on the market. In case of those corporate bonds, which are recognised under the fair value option, the present value was determined using the discounted cash-flow method. Based on the mentioned valuation techniques the financial instruments were assigned to Level 2 and Level 3 category.
[3] There is not significant different between the carrying value and fair value of the loan receivables.

| | Notes | Carrying value 2023 | Carrying value 2022 | Fair value 2023 | Fair value 2022 |
|---|---|---|---|---|---|
| | | 31 December | | 31 December | |
| | | HUFm | HUFm | HUFm | HUFm |
| **Financial liabilities measured at fair value** | | | | | |
| *Financial liabilities measured at FVTPL* | | | | | |
| Debt on the issue of bonds | 33,40 | 53,840 | 41,068 | 53,840 | 41,068 |
| Derivative financial instruments | 11 | 11,401 | 25,525 | 11,401 | 25,525 |
| Foreign currency forwards and commodity swaps – cash flow hedges | 11 | 947 | 4,745 | 947 | 4,745 |
| Other financial liabilities | 33,40 | 3,349 | 3,304 | 3,349 | 3,304 |
| | | **69,537** | **74,642** | **69,537** | **74,642** |
| **Financial liabilities measured at amortised cost** | | | | | |
| Borrowings | | 182 | - | 182 | - |
| Trade payables | 38 | 51,301 | 46,092 | 51,301 | 46,092 |
| Lease liabilities | 34 | 18,245 | 15,226 | 18,245 | 15,226 |
| | | **69,728** | **61,318** | **69,728** | **61,318** |

Above mentioned different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (government bonds, corporate bonds, ETFs).
Level 2: Inputs other than quoted prices included within Level 1 that are observable at the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices– foreign currency forwards, commodity swaps, debt instruments which calculated with DCF method)).
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs– venture capital and other financial investments, debt instruments for which no quoted market price is available).

## 9.1 Financial risk management

Gedeon Richter Plc. has identified its relevant financial risks that are continuously monitored and evaluated by the Management of the Company. The Group focuses on capital structure, foreign currency, credit and collection and liquidity risk.

## Market risk

**Interest rate risk**
As stated in Note 36 the Borrowings of the Group is not significant, therefore the interest rate risk is negligible.

**Security price risk**
The Group holds various securities including fixed and floating rate; HUF, EUR and USD denominated government and corporate bonds and EUR denominated ETFs (Exchange-Traded Fund) of corporate bonds. Most of these securities are booked at fair value therefore price fluctuation creates security price risks. In order to reduce price fluctuation risks, almost half of fixed rate EUR bonds are hedged through interest rate swaps.

**Foreign currency risk**

Significant part of the Group's revenues is denominated in currencies other than the functional and the presentation currency, therefore it faces the risk of currency rate fluctuation. In order to decrease this volatility of the financial result the Parent Company conducts USD FX roll forward deals for a part of the planned income.

In December 2021, the management decided to change its risk management policy in connection with these deals since that the Company applies hedge accounting. The purpose of hedge accounting is to mitigate the impact of potential volatility in the Consolidated Income Statement of the Group due to the currency risk of highly probable future foreign currency cash-flows (royalty income) by matching the impact of the hedged item and the hedging instrument in the Consolidated Income Statement.

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

The Company applied this hedging policy and accounting method during the cash-flow hedging settlement in 2023 and will continue to apply it in the following years as well.

**Energy market price risk**

**Natural gas (TTF and EUR)**

Gedeon Richter Plc. is a production company with dominant energy costs. The component of energy risk (TTF prices), which brings unnecessary variability to the development of the result, must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the variability resulting from this energy risk (TTF prices).

In order for the Company to achieve this goal, it systematically manages the impact of energy exposure on a monthly basis from October 2023 to December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with its risk management strategy, the Company intends to cover the market exchange rate risk arising from the 80% - 100% volume range of the planned monthly natural gas purchase.

The Company enters into hedging transactions because it buys large quantities of the natural gas required for production. Since the movement of the market price of natural gas can significantly affect the Company's result, in order to achieve the profit level defined in the annual plan, it is necessary to reduce the volatility that affects the accounting result due to natural gas price fluctuations (TTF prices).
The purpose of the hedging transaction is to mitigate the market price risk of 80% - 100% of the expected monthly natural gas consumption with derivative transactions (commodity SWAP floating to fix), by fixing the price in a commodity swap contract, thus reducing the exposure to fluctuations in the market price of natural gas (TTF prices).

Natural gas is paid in EUR, mitigating currency risk is also part of the hedging strategy, but it was developed in separate hedge documentation.

Gedeon Richter Plc. is a production company whose energy costs (natural gas) are predominantly displayed in EUR. The component of the currency risk that brings unnecessary volatility to the development of the result must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the volatility resulting from this currency risk.
In order for the Company to achieve this goal, it systematically manages the impact of currency exposure on a monthly basis from October 2023 to December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with the Company's risk management strategy, the planned monthly natural gas purchase is 50%-100% range of the invoice value and the amount fixed by the TTF commodity swap transaction (according to the separate hedge documentation, at least 50% of the foreign currency amount marked as the product of the fixed

market price (with commodity swap) and the planned quantity) wishes to cover an exchange rate risk of foreign currency (EUR).

The Company buys large quantities of natural gas for its production. Since the natural gas invoices include items denominated in EUR, the used market price (TTF) natural gas is paid in EUR, the Company is therefore exposed to a foreign exchange risk. In order to achieve the profit level defined in the annual plan, it is necessary to reduce the volatility that affects the accounting result due to exchange rate fluctuations (EUR). The purpose of the hedging transaction is to mitigate the foreign exchange risk of the market price (invoice value + commodity SWAP transaction difference) fixed by the commodity SWAP transaction by at least 50% (50%-100% range) of the expected monthly natural gas consumption with derivative transactions (FX forward), by fixing the price in a forward contract, thereby reducing exposure to natural gas foreign exchange rate fluctuations (EUR).

The Company manages the hedging policy designed to measure risks from energy-related market TTF and EUR currency exchange rates under cash-flow hedge accounting.

**Electricity (EUR)**
Gedeon Richter Plc. is a production company whose energy costs (electricity) are predominantly displayed in EUR. The component of the currency risk that brings unnecessary volatility to the development of the result must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the volatility resulting from this currency risk.
In order for the Company to achieve this goal, it systematically manages the impact of currency exposure on a monthly basis from January 2024 until December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with its risk management strategy, the Company intends to cover the foreign exchange risk arising from the range 50%-100% of the invoice value (fixed price in EUR/MWh) of the planned monthly electricity purchase.

The Company buys a large amount of electricity (MWh) for its production. Since the electricity bills include items denominated in EUR, the electricity used at a fixed price is paid in EUR, the Company is therefore exposed to a currency risk. In order to achieve the profit level defined in the annual plan, it is necessary to reduce the volatility that affects the accounting result due to exchange rate fluctuations (EUR).
The purpose of the hedging transaction is to mitigate the foreign exchange risk of at least 50% (50%-100% range) of the expected monthly electricity consumption with derivative transactions (FX forward), by fixing the price in a forward contract, thus reducing the exposure of the electricity bill to currency exchange rate fluctuations (EUR).

The Company manages the hedging policy designed to measure risks from EUR currency exchange rates under cash-flow hedge accounting.

**Foreign exchange sensitivity of profit**
The Group does business in a number of regions, and countries with different currencies. The most typical foreign currencies are the EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK. The calculation of exposure to foreign currencies is based on these nine currencies.

The foreign currency risk management calculation is based on the balances exposed to exchanges of foreign currencies of the Parent Company and the nine principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ, Gedeon Richter (Schweiz) AG, and from 2022 Gedeon Richter Farma O.O.O). The items of the other consolidated companies have insignificant foreign currency exposure as they are performing mainly wholesale and retail activity, purchasing and selling in their functional currency. The effect of the risk arising from currency fluctuation is measured by different change in the exchange rates. Recently Ruble, Euro and US dollar showed higher volatility therefore according to the decision of the Management therefore in both years these currencies have been diverted in a reasonable level when determining the exchange rate combination (RUB, EUR, USD +/- 10%; all other +/- 5%).

The table below presents the effect of the change in the average foreign currency rate on the operating profit and on the profit before income tax:

| 2023 | | Exchange rates | | | | | | | | | Effect on operating profit | Effect on profit before income tax | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/ HUF | USD/ HUF | EUR/ USD | PLN/ HUF | RON/ HUF | RUB/ HUF | CHF/ HUF | KZT/ HUF | CZK/ HUF | CNY/ HUF | HUFm | HUFm | |
| 110,00% | **420.18** | | | | | | | | | | | | |
| | | **388.70** | **1.08** | 88.18 | **80.99** | **4.77** | **424.54** | **0.81** | **16.72** | **52.08** | **31,311** | **28,363** | **largest growth** |
| | | 353.36 | 1.19 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | 1,074 | 1,300 | |
| | | 318.02 | 1.32 | 79.78 | 73.27 | 3.91 | 384.10 | 0.73 | 15.12 | 47.12 | (29,163) | (25,763) | |
| 100,00% | 381.98 | | | | | | | | | | | | |
| | | 388.70 | 0.98 | 88.18 | 80.99 | 4.77 | 424.54 | 0.81 | 16.72 | 52.08 | 30,237 | 27,063 | |
| | | 353.36 | 1.08 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | 0 | 0 | |
| | | 318.02 | 1.20 | 79.78 | 73.27 | 3.91 | 384.10 | 0.73 | 15.12 | 47.12 | (30,237) | (27,063) | |
| 90,00% | **343.78** | | | | | | | | | | | | |
| | | 388.70 | 0.88 | 88.18 | 80.99 | 4.77 | 424.54 | 0.81 | 16.72 | 52.08 | 29,163 | 25,763 | |
| | | 353.36 | 0.97 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | (1,074) | (1,300) | |
| | | **318.02** | **1.08** | 79.78 | **73.27** | **3.91** | **384.10** | **0.73** | **15.12** | **47.12** | **(31,311)** | **(28,363)** | **greatest decrease** |

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

| 2022 | | | | | | | | | | Exchange rates | Effect on operating profit | Effect on profit before income tax | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/ HUF | USD/ HUF | EUR/ USD | PLN/ HUF | RON/ HUF | RUB/ HUF | CHF/ HUF | KZT/ HUF | CZK/ HUF | CNY/ HUF | HUFm | HUFm | |
| 110,00% | **433.05** | | | | | | | | | | | | |
| | | **413.18** | **1.05** | **87.26** | **83.11** | **6.34** | **433.44** | **0.86** | **16.73** | **57.99** | **32,268** | **32,907** | **largest growth** |
| | | 375.62 | 1.15 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | 3,355 | 4,199 | |
| | | 338.05 | 1.28 | 78.97 | 75.19 | 5.18 | 392.16 | 0.78 | 15.13 | 52.47 | (25,558) | (24,509) | |
| 100,00% | 393.68 | | | | | | | | | | | | |
| | | 413.18 | 0.95 | 87.29 | 83.11 | 6.34 | 433.44 | 0.86 | 16.73 | 57.99 | 28,913 | 28,708 | |
| | | 375.62 | 1.05 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | 0 | 0 | |
| | | 338.06 | 1.16 | 78.97 | 75.19 | 5.18 | 392.16 | 0.78 | 15.13 | 52.47 | (28,913) | (28,708) | |
| 90,00% | **354.31** | | | | | | | | | | | | |
| | | 413.18 | 0.86 | 87.29 | 83.11 | 6.34 | 433.44 | 0.86 | 16.73 | 57.99 | 25,558 | 24,509 | |
| | | 375.62 | 0.94 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | (3,355) | (4,199) | |
| | | **338.06** | **1.05** | **78.97** | **75.19** | **5.18** | **392.16** | **0.78** | **15.13** | **52.47** | **(32,268)** | **(32,907)** | **greatest decrease** |

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

Based on the yearly average currency rate sensitivity analysis of 2023 the combination of weak Hungarian Forint – 420.18 EUR/HUF against other currencies – would have caused the largest growth in the amount of HUF 31,311 million on the Group’s consolidated operating profit and HUF 28,363 million on the Group’s consolidated profit for the year.
The greatest decrease HUF 31,311 million on operating and HUF 28,363 million on profit for the year would have been caused by the combination of exchange rates of 343.78 EUR/HUF against other currencies.

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

**Currency sensitivity of balance sheet items**

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation exposures arise from financial and non-financial items held by an entity with a functional currency different from the Group's presentation currency. Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts, loan receivables, lease liabilities and financial assets and financial liabilities considering that items of related parties are eliminated during consolidation. The calculation is based on the items of the Parent Company and the nine principal subsidiaries (Gedeon Richter Polska Sp. z o.o., Gedeon Richter Romania S.A., AO Gedeon Richter – RUS, Gedeon Richter (Schweiz) AG, Richter-Helm BioLogics GmbH & Co. KG, Pharmafarm S.A., Gedeon Richter Farmacia S.A., TOO Gedeon Richter KZ and from 2022 Gedeon Richter Farma O.O.O). The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates.
The calculation is based on the exchange rates combinations presented below. Recently, Management has experienced higher sensitivity in case of Ruble, Euro and US dollar therefore in both years these currencies have been diverted more when determining the exchange rate combinations (RUB, EUR, USD +/- 10%; all other +/- 5%).

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

| **2023** | | | | | | **Exchange rates** | | | | | **Effect on net financial position** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/ HUF | USD/ HUF | EUR/ USD | PLN/ HUF | RON/ HUF | RUB/ HUF | CHF/ HUF | KZT/ HUF | CZK/ HUF | CNY/ HUF | HUFm | |
| **110,00%** | **421.06** | | | | | | | | | | | |
| | | **381.08** | **1.10** | **92.44** | **80.80** | **4.25** | **432.89** | **0.80** | **16.25** | **51.16** | **20,211** | **best case scenario** |
| | | 346.44 | 1.22 | 88.04 | 76.95 | 3.86 | 412.28 | 0.76 | 15.48 | 48.72 | 6,146 | |
| | | 311.80 | 1.35 | 83.64 | 73.10 | 3.47 | 391.67 | 0.72 | 14.71 | 46.28 | (7,918) | |
| 100,00% | 382.78 | | | | | | | | | | | |
| | | 381.08 | 1.00 | 92.44 | 80.80 | 4.25 | 432.89 | 0.80 | 16.25 | 51.16 | 14,065 | |
| | | 346.44 | 1.10 | 88.04 | 76.95 | 3.86 | 412.28 | 0.76 | 15.48 | 48.72 | 0- | |
| | | 311.80 | 1.23 | 83.64 | 73.10 | 3.47 | 391.67 | 0.72 | 14.71 | 46.28 | (14,065) | |
| **90,00%** | **344.50** | | | | | | | | | | | |
| | | 381.08 | 0.90 | 92.44 | 80.80 | 4.25 | 432.89 | 0.80 | 16.25 | 51.16 | 7,918 | |
| | | 346.44 | 0.99 | 88.04 | 76.95 | 3.86 | 412.28 | 0.76 | 15.48 | 48.72 | (6,146) | |
| | | **311.80** | **1.10** | **83.64** | **73.10** | **3.47** | **391.67** | **0.72** | **14.71** | **46.28** | **(20,211)** | **worst case scenario** |

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

| **2022** | | | | | **Exchange rates** | | | | | | **Effect on net financial position** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/ HUF | USD/ HUF | EUR/ USD | PLN/ HUF | RON/ HUF | RUB/ HUF | CHF/ HUF | KZT/ HUF | CZK/ HUF | CNY/ HUF | HUFm | |
| **110,00%** | **440.28** | | | | | | | | | | | |
| | | **413.25** | **1.07** | **89.62** | **84.92** | **5.67** | **427.28** | **0.85** | **17.41** | **56.89** | **20,860** | **best case scenario** |
| | | 375.68 | 1.17 | 85.35 | 80.88 | 5.15 | 406.93 | 0.81 | 16.58 | 54.18 | 5,328 | |
| | | 338.11 | 1.30 | 81.08 | 76.84 | 4.64 | 386.58 | 0.77 | 15.75 | 51.47 | (10,204) | |
| 100,00% | 400.25 | | | | | | | | | | | |
| | | 413.25 | 0.97 | 89.62 | 84.92 | 5.67 | 427.28 | 0.85 | 17.41 | 56.89 | 15,532 | |
| | | 375.68 | 1.07 | 85.35 | 80.88 | 5.15 | 406.93 | 0.81 | 16.58 | 54.18 | 0 | |
| | | 338.11 | 1.18 | 81.08 | 76.84 | 4.64 | 386.58 | 0.77 | 15.75 | 51.47 | (15,532) | |
| **90,00%** | **360.23** | | | | | | | | | | | |
| | | 413.25 | 0.87 | 89.62 | 84.92 | 5.67 | 427.28 | 0.85 | 17.41 | 56.89 | 10,204 | |
| | | 375.68 | 0.96 | 85.35 | 80.88 | 5.15 | 406.93 | 0.81 | 16.58 | 54.18 | (5,328) | |
| | | **338.11** | **1.07** | **81.08** | **76.84** | **4.64** | **386.58** | **0.77** | **15.75** | **51.47** | **(20,860)** | **worst case scenario** |

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

The worst-case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK weaken against HUF. In this case the consolidated financial result would decrease by HUF 20,211 million. The best-case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK would strengthen against HUF. In this case the consolidated financial result would increase by HUF 20,211 million.

In 2022 the worst-case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK weaken against HUF. In this case the consolidated financial result would decrease by HUF 20,860 million. The best-case scenario was when EUR, USD, PLN, RON, RUB, CHF, KZT, CNY and CZK would strengthen against HUF. In this case the consolidated financial result would increase by HUF 20,860 million.

Since loan receivables and borrowings given to subsidiaries are eliminated during the consolidation process these items are not taken into consideration in the sensitivity analyses, however the revaluation effect of these balance sheet items influences the net financial result of the Group.

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

| 2023 | Currencies (all amounts in HUFm) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CHF | RUB | RON | PLN | KZT | CZK | CNY |
| Loan receivables | 911 | 454 | - | - | - | - | - | - | - |
| Trade receivables | 27,932 | 63,753 | 413 | 41,543 | 8,745 | 10,863 | 3,111 | 1,786 | 6,412 |
| Financial assets | 39,242 | - | - | - | - | - | - | - | - |
| Investments in securities | - | 880 | - | - | - | - | - | - | - |
| Bank deposits | 23,153 | 18,739 | 748 | 9,374 | 2,691 | 2,301 | 465 | 900 | 2,302 |
| Trade payables | (18,636) | (4,817) | (1,075) | (1,676) | (716) | (1,294) | (160) | (10) | (14) |
| Financial liabilities | (1,024) | - | - | - | - | - | - | - | - |
| Other liabilities | (5,028) | (1,368) | (31) | (164) | (942) | (1,322) | - | (10) | (128) |
| Lease liabilities | (5,085) | (162) | (183) | (1,992) | - | (2,623) | (62) | - | (161) |
| **Total** | **61,465** | **77,479** | **(128)** | **47,085** | **9,778** | **7,925** | **3,354** | **2,666** | **8,411** |

| 2022 | Currencies (all amounts in HUFm) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CHF | RUB | RON | PLN | KZT | CZK | CNY |
| Loans receivable | 16,669 | 642 | - | - | - | 63 | - | - | - |
| Trade receivables | 22,437 | 53,676 | 401 | 46,525 | 51,024 | 9,117 | 2,265 | 2,278 | 4,966 |
| Financial assets | 34,064 | 28,182 | - | - | - | - | - | - | - |
| Investments in securities | - | 10,678 | - | - | - | - | - | - | - |
| Bank deposits | 7,854 | 8,845 | 954 | 5,073 | 3,571 | 1,492 | 1,108 | 500 | 2,546 |
| Trade payables | (17,525) | (2,798) | (384) | (4,441) | (45,605) | (1,325) | (112) | (1) | (14) |
| Other liabilities | (7,013) | (2,491) | (30) | (104) | (900) | (808) | - | (13) | (1,193) |
| Lease liabilities | (3,209) | (205) | (257) | (2,249) | (948) | (324) | (61) | - | (302) |
| **Total** | **53,277** | **96,529** | **684** | **44,804** | **7,142** | **8,215** | **3,200** | **2,764** | **6,003** |

## Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers. The Group assesses the solvency and creditworthiness risk of its customers, determining the payment structure, payment terms and the scope of collateral required. The Group monitors its customers' receivables, in particular with regard to overdue exposures, and the validity and enforceability of collateral, in order to avoid credit losses. If the amount of the available contractual credit limit or credit line is exceeded by the customers, the shipments on credit can be suspended by the Group.
The Group does business with key customers in many countries. These customers are major import distributors in their countries and the management of the Group maintains close contact with them on an ongoing basis. In 2023 there is only one customer (AbbVie) where the turnover exceeds 10% of total revenues. The revenue is royalty, related to Vraylar®.

Provisions for doubtful debts receivables are estimated by the Group's management based on the expected credit loss model. The following securities are applied to minimize the credit risk.

| **Regions** | **Trade receivables secured as at 31 December 2023** | **Type of security** | | |
|---|---|---|---|---|
| | | **Credit insurance*** | **Bank guarantee** | **L/C** |
| | HUFm | HUFm | HUFm | HUFm |
| CIS | 54,995 | 49,497 | 5,498 | - |
| EU | 291 | - | 291 | - |
| USA | - | - | - | - |
| China | 69 | 69 | - | - |
| Latin America | 4,207 | 4,207 | - | - |
| Other | 1,628 | 1,472 | - | 156 |
| **Total** | **61,190** | **55,245** | **5,789** | **156** |

| **Regions** | **Trade receivables secured as at 31 December 2022** | **Type of security** | | |
|---|---|---|---|---|
| | | **Credit insurance*** | **Bank guarantee** | **L/C** |
| | HUFm | HUFm | HUFm | HUFm |
| CIS | 52,874 | 31,024 | 21,850 | - |
| EU | 305 | - | 305 | - |
| USA | - | - | - | - |
| China | 26 | 26 | - | - |
| Latin America | 4,966 | 4,966 | - | - |
| Other | 2,101 | 1,876 | 28 | 197 |
| **Total** | **60,272** | **37,892** | **22,183** | **197** |

*The balance of trade receivables included in the (export credit) insurance program is presented as secured portfolio as at the balance sheet date, regardless of whether its risk related to non-payment is additionally secured by other instruments or not.

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit ratings assigned by international rating agencies presented below.

As a result of the composition of the Group, the Parent Company has the most significant Cash and cash equivalents (more than 60% of the Group's total Cash and cash equivalents). Therefore, details of the Parent Company are disclosed.

The credit rating of the most significant banks based on international credit rating institutes are the followings:

| **Investment partner banks** | **31 December 2023** | | | **31 December 2022** | | |
|---|---|---|---|---|---|---|
| | *Moody's* | *S&P* | *FitchRatings* | *Moody's* | *S&P* | *FitchRatings* |
| Banca Commerciala Romana SA | Baa1 | - | BBB+ | Baa1 | - | BBB+ |
| Bank of China Ltd. Hungarian Branch* | A1 | A | A | A1 | A | - |
| BNP Paribas Magyarországi Fióktelepe | Aa3 | A+ | A+ | Aa3 | A+ | - |
| CIB Bank Zrt.* | - | - | BBB | - | - | BBB |
| Citibank N.A. | Aa3 | A+ | A+ | Aa3 | A+ | - |
| Commerzbank AG Frankfurt | A1 | A- | WD | A1 | - | - |
| Erste Bank Hungary Zrt. | A3 | - | BBB+ | Baa1 | - | BBB+ |
| ING Bank N.V. Hungaria Branch* | Aa3 | A+ | AA- | Baa1 | A+ | A+ |
| J.P. MORGAN AG | - | A+ | AA | Aa1 | A+ | AA |
| K&H Bank Zrt.* | A3u | - | BBB+ | Baa1 | - | BBB+ |
| KDB Bank Európa Zrt. (ultimate parent - Korea Development Bank)* | Aa2 | AA | AA- | Aa2 | AA | AA- |
| OTP Bank Nyrt. | Baa1 | BBB- | - | Baa1 | BBB- | - |
| OJSC OTP Bank. Oroszország | WR | - | WD | - | - | WD |
| Raiffeisen Bank Zrt. | A3 | - | - | A3 | - | - |

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

Between January 1, 2023, and December 31, 2023, the Parent Company hold its cash and cash equivalent at the above-mentioned banks. The bond portfolio of the Company was hold at custodian banks also listed above. The other bank relations of the Group are widely dispersed, therefore the credit exposure with one financial institution is limited, the exposure towards a given bank is determined by the internal regulation.

## Liquidity risk

Cash-flow forecasting is performed in the operating entities of the Group. These forecasts are updated on a monthly basis based on actual data. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance. Group treasury invests surplus cash in interest bearing current accounts, time deposits, investment funds and marketable securities. Besides these, on operational level various cash pool systems throughout the Group help to optimise liquidity surplus and need on a daily basis.

The liquidity risk of the Group was limited in 2023, since the current assets were higher than the total liabilities.
In 2023 the stock of financial assets increased due to the continuous renegotiation of standard derivative contracts (e.g. forward contracts) used by the Group for hedging purposes (see Note 11). These transactions resulted in a significant growth of financial assets.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash-flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash-flows. To the extent that interest cash-flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

| Contractual maturities of financial liabilities 31 December 2023 | Notes | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash-flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Non-derivatives** | | | | | | | | |
| Trade payables | 38 | 48,165 | 2,427 | 693 | (72) | 88 | **51,301** | **51,301** |
| Borrowings | 36 | 4 | 13 | 61 | - | 118 | **196** | **182** |
| Lease liabilities | 34 | 1,504 | 3,806 | 6,865 | 3,301 | 10,217 | **25,694** | **18,245** |
| Debt on the issue of bonds | 33,40 | - | 1,225 | 1,225 | 10,675 | 65,940 | **79,065** | **53,840** |
| **Total non-derivatives** | | **49,673** | **7,471** | **8,844** | **13,904** | **76,363** | **152,256** | **123,568** |
| **Derivatives** | | | | | | | | |
| Interest rate and commodity swap | 11 | (359) | (1,037) | (788) | (2,058) | (4,601) | **(8,843)** | **3,700** |
| Gross settled (foreign currency forwards and commodity swaps– cash-flow hedges) – gross outflows | 11 | 29,196 | 75,953 | 32,245 | - | - | **137,394** | **9,967** |
| Trading derivatives (foreign currency forwards) – gross outflows | 11 | 29,000 | - | - | - | - | **29,000** | **(26)** |
| **Total derivatives** | | **57,837** | **74,916** | **31,457** | **(2,058)** | **(4,601)** | **157,551** | **13,641** |

For the year 2023, 87% of cash outflows of the Parent Company are treated under hedge accounting. The intention is to cover 50% of the foreign currency denominated cash in-flows (mostly royalty income) therefore the cash outflows occurring during this period do not represent an actual risk for the Company.

| Contractual maturities of financial liabilities 31 December 2022 | Notes | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash-flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Non-derivatives** | | | | | | | | |
| Trade payables | 38 | 45,648 | 293 | 111 | 39 | 1 | **46,092** | **46,092** |
| Borrowings | | - | - | - | - | - | **-** | **-** |
| Lease liabilities | 34 | 1,469 | 3,641 | 5,850 | 2,087 | 6,847 | **19,894** | **15,227** |
| Debt on the issue of bonds | 33,40 | - | 1,225 | 1,228 | 3,675 | 74,168 | **80,296** | **41,068** |
| **Total non-derivatives** | | **47,117** | **5,159** | **7,189** | **5,802** | **81,015** | **146,282** | **102,387** |
| **Derivatives** | | | | | | | | |
| Interest rate swap | 11 | (10) | 37 | (21) | (76) | 257 | **187** | **4,829** |
| Gross settled (foreign currency forwards – cash-flow hedges) – gross outflows | 11 | 21,410 | 52,117 | 20,507 | - | - | **94,034** | **(1,704)** |
| Trading derivatives (foreign currency forwards) – gross outflows | 11 | 2,227 | 3,890 | - | - | - | **6,117** | **205** |
| **Total derivatives** | | **23,627** | **56,044** | **20,486** | **(76)** | **257** | **100,338** | **3,330** |

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

The banks of the Group issued the guarantees detailed below, enhancing the liquidity in a way that the Group did not have to provide for these cash amounts:

| | **2023** | **2022** |
|---|---|---|
| | HUFm | HUFm |
| Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities | 272 | 273 |
| Bank guarantee for Romanian suppliers | - | 4,231 |
| Other, individually not significant bank guarantees | 161 | 168 |

## 9.2 Capital management

The capital structure of the Group consists of net debt (borrowings as detailed in Note 36, debt on issue of bond detailed in Note 32 and 39, furthermore the related derivative financial instruments detailed in Note 11 offset by cash and bank balances in Note 28 and the government securities and corporate bonds invested from the received amount of issue of bond detailed in Note 17, and related derivative financial instruments detailed in Note 11) and equity of the Group (comprising share capital, retained earnings, other reserves and non-controlling interests). The net debt structure presents the main changes in financial liabilities and related financial assets.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is also monitoring the individual entities to meet their statutory capital requirements.
The Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash-flow and the financing needs of the ongoing acquisition projects.
At the time of the approval of the Annual Report, no dividend has been proposed and will be proposed by the Board of Directors at a later date.

The capital risk of the Group was still limited in both 2023 and 2022, since the net cash position calculated as presented in Note 41, shows surplus in the balance sheet.

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

| | **31 December 2023** | **31 December 2022 Restated*** |
|---|---|---|
| | HUFm | HUFm |
| **Net cash (Note 41)** | **66,830** | **72,484** |
| Total equity | 1,142,581 | 1,073,847 |
| **Total capital** | **1,209,411** | **1,146,331** |
| EBITDA | 234,931 | 196,480 |
| **Net debt to EBITDA ratio** | **0.28** | **0.37** |
| **Net debt to equity ratio** | **0.06** | **0.07** |

* See Note 50 on the details of restatement

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.

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| Profit from operations | 189,364 | 153,555 |
| Depreciation (except for right-of-use asset) | 45,567 | 42,925 |
| **EBITDA** | **234,931** | **196,480** |

# 10. Fair value of financial instruments

**Accounting policy**
Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses unobservable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

**a) Recurring fair value measurements**
Recurring fair value measurements are those that the accounting standards require or permit in the Consolidated Balance Sheet at the end of each reporting period.

The Group recognizes certain corporate bonds, a portion of government securities and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. The Group has derivative financial instruments on balance sheet, which can be found in Note 11.

The Group has debt instruments managed under a different business model as a non-current financial asset at fair value through other comprehensive income, based on that the business model is achieved by both collecting contractual cash-flows and selling financial assets ("hold & sell" business model), and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group recognised equity instruments as financial asset at FVOCI in current year and applies the fair value option for these instruments.

In 2021 the Company held a successful auction for qualified investors and received funding from the issued bonds. The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The issue of bond at fixed interest rate and the deal of interest rate swaps took place at the same time. For detailed information please see Note 32.

There were no changes in valuation method neither for Level 1, nor for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2023 and 2022.

**b) Non-recurring fair value measurements**
The Group did not have non-recurring fair value measurement of any assets or liabilities.

**c) Valuation processes for recurring and non-recurring Level 3 fair value measurements**
Level 3 valuations are reviewed annually by the Group's financial director who reports to the Board of Directors. The financial director considers the appropriateness of the valuation model inputs, as well as the

valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the director performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

**d) Assets and liabilities not measured at fair value but for which fair value is disclosed**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value is presented at Note 9. The fair value of the financial assets and liabilities carried at amortised cost does not significantly differ from its carrying amount, because in this type of transactions the Group does not apply any incremental cost, either based on fixed rates or has short-term nature.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

| | Notes | 31 December 2023 | | | | 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Level 1<br>HUFm | Level 2<br>HUFm | Level 3<br>HUFm | Total<br>HUFm | Level 1<br>HUFm | Level 2<br>HUFm | Level 3<br>HUFm | Total<br>HUFm |
| **Financial assets** | | | | | | | | | |
| **Non-current financial assets at FVTPL** | **17** | **67,585** | **8,254** | **-** | **75,839** | **55,275** | **6,440** | **6,009** | **67,724** |
| Debt instruments | | 67,585 | 8,254 | - | 75,839 | 55,275 | 6,440 | - | 61,715 |
| Other financial assets at fair value | | - | - | 0 | 0 | - | - | 6,009 | 6,009 |
| **Financial assets at FVOCI** | **18,26** | **71,502** | **-** | **1,691** | **73,193** | **69,729** | **-** | **-** | **69,729** |
| Debt instruments | | 27,521 | - | 825 | 28,346 | 28,979 | - | - | 28,979 |
| Equity instruments | | 43,981 | - | 866 | 44,847 | 40,750 | - | - | 40,750 |
| **Derivative financial instruments** | **11** | **-** | **25,989** | **-** | **25,989** | **-** | **33,600** | **-** | **33,600** |
| Interest rate and commodity swaps | | - | 15,054 | | 15,054 | - | 30,313 | - | 30,313 |
| Foreign currency forwards – trading derivatives | | - | 21 | - | 21 | - | 246 | - | 246 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | | - | 10,914 | - | 10,914 | - | 3,041 | - | 3,041 |
| **Total** | | **139,087** | **34,243** | **1,691** | **175,021** | **125,004** | **40,040** | **6,009** | **171,053** |
| **Financial liabilities** | | | | | | | | | |
| **Financial liabilities at FVTPL** | **32,39** | **-** | **54,864** | **-** | **54,864** | **-** | **42,060** | **-** | **42,060** |
| Debt on issue of bonds | | - | 53,840 | - | 53,840 | - | 41,068 | - | 41,068 |
| Other financial liabilities at fair value | | - | 1,024 | - | 1,024 | - | 992 | - | 992 |
| **Derivative financial instruments** | **11** | **-** | **12,348** | **-** | **12,348** | **-** | **30,270** | **-** | **30,270** |
| Interest rate and commodity swaps | | - | 11,354 | - | 11,354 | - | 25,484 | | 25,484 |
| Foreign currency forwards – trading derivatives | | - | 47 | - | 47 | - | 41 | | 41 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | | - | 947 | | 947 | - | 4,745 | - | 4,745 |
| **Total** | | **-** | **67,212** | **-** | **67,212** | **-** | **72,330** | **-** | **72,330** |

The valuation technique, inputs used in the fair value measurement for most significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023 and 2022:

| | **Fair value at 31 December 2023** HUFm | **Valuation technique** | **Inputs** | **Range of inputs (weighted average)** | | **Sensitivity of fair value measurement** |
|---|---|---|---|---|---|---|
| ***Assets at fair value*** | | | | | | |
| Other financial asset Mycovia | 0 | Discounted cash-flows (DCF) | · Estimated future profit* | | | The higher estimated future profits, the higher the fair value. |
| | | | · Foreign currency rate | - | Ft/USD | The higher the FX rate the higher the fair value |
| | | | · Discount rate | - | % | The higher the discount rate the lower the fair value |
| **Total recurring fair value measurements at Level 3** | **0** | | | | | |

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

* Unobservable input

The Company recognized a 100% impairment of value for the Mycovia financial investment in August 2023. The previously expected cash-flow data significantly underperformed compared to the actual data for 2023. We examined the percentage of success with a look-back test in quarterly horizon, but it showed a value close to 0%, even after 40% write off of the expected cash-flows for the first half of 2023.

The above table shows the sensitivity analysis of the inputs used to determine the fair value of financial assets and liabilities. By changing one or more unobservable inputs, we analyse the direction and degree of change in the fair value. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

# 11. Derivative financial instruments

**Accounting policy**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the end of each reporting period to their fair value. The resulting gain or loss is immediately recognized in the Consolidated Income Statement. Except in the event that the given derivative transaction has been classified as a hedging instrument by the Group and the hedging instrument is effective, since in this case the timing of settlement against the result depends on the nature of the hedging relationship. The cumulative change in the fair value of the hedging instrument appears in Other comprehensive income (OCI) until the time of recognition of the hedged item (royalty income and cash outflows related to natural gas and electricity). The Group uses the option of hedge accounting, the purpose of which is to reduce the impact of volatility arising from exchange rate changes in very likely future foreign currency (USD and EUR) and market prices (TTF) cash-flows. The Group accounts for the effect of the hedged item and the hedging instrument (EUR, USD - foreign exchange transactions and TTF - commodity swaps) against each other in the income statement.
Derivative financial instruments are classified under "Non-current assets" and "Non-current liabilities", depending on whether the instruments have a positive or negative year-end fair value. Other derivative contracts are presented under "Other current assets" and "Other current liabilities and accruals".

Government bonds and corporate bonds purchased by the Parent Company are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Parent has entered into interest rate swaps in the case of debt instruments, during which it exchanges fixed interest rates for variables. The maturity and currency data of these transactions are summarized in the table below.

**Assets**

| Name | Nominal value | Maturity date | Carrying value (HUFm) |
|---|---|---|---|
| Interest rate swap (HUF) | 7,000,000,000 | 2028 | 840 |
| Interest rate swap (HUF) | 10,000,000,000 | 2029 | 1,706 |
| Interest rate swap (HUF) | 3,500,000,000 | 2030 | 580 |
| Interest rate swap (HUF) | 49,000,000,000 | 2031 | 8,710 |
| Interest rate swap (EUR) | 2,000,000 | 2026 | 34 |
| Interest rate swap (EUR) | 10,000,000 | 2027 | 409 |
| Interest rate swap (EUR) | 13,775,000 | 2029 | 736 |
| Interest rate swap (EUR) | 25,000,000 | 2035 | 1,919 |
| **Total** | | | **14,934** |

**Liabilities**

| Name | Nominal value | Maturity date | Carrying value (HUFm) |
|---|---|---|---|
| Interest rate swap (HUF) | 7,000,000,000 | 2028 | (840) |
| Interest rate swap (HUF) | 10,000,000,000 | 2029 | (1,414) |
| Interest rate swap (HUF) | 3,500,000,000 | 2030 | (580) |
| Interest rate swap (HUF) | 49,000,000,000 | 2031 | (8,520) |
| **Total** | | | **(11,354)** |

The Group's derivative instruments are interest rate-, commodity swaps (certain parts of them – TTF swap short positions to manage hedging inefficiency) and foreign currency forwards.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss.

In 2021 the Group recognized the corporate bonds and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option based on IFRS 9. The fair value option was selected at initial measurement and recognition.

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| **Assets** | | |
| Long-term derivative financial instruments | | |
| Interest rate swaps | 14,935 | 30,313 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 1,392 | 1,133 |
| Short-term derivative financial instruments | | |
| Interest rate and commodity swaps | 119 | - |
| Foreign currency forwards – trading derivatives | 21 | 246 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 9,522 | 1,908 |
| **Total derivative financial assets** | **25,989** | **33,600** |
| | | |
| **Liabilities** | | |
| Long-term derivative financial instruments | | |
| Interest rate swaps | (11,354) | (25,484) |
| Foreign currency forwards and commodity swaps – cash-flow hedges | (59) | - |
| Short-term derivative financial instruments | | |
| Foreign currency forwards – trading derivatives | (47) | (41) |
| Foreign currency forwards and commodity swaps – cash-flow hedges | (888) | (4,745) |
| **Total derivative financial liabilities** | **(12,348)** | **(30,270)** |

The transactions managed by the Company under cash-flow hedge accounting are described in detail in the following subsections:

**Foreign currency risk (USD Vraylar royalty income)**

*Amounts recognised in profit or loss*
There were reclassifications from the Cash-flow hedge reserve to profit or loss (Revenues) as gain of HUF 9,237 million during the year 2023 in relation to royalty incomes and foreign currency forwards.

*Hedge effectiveness*
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency royalty income, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency royalty income, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (USD). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted royalty revenue. The Company's strategy is to hedge up to 50 % coverage on the royalty exposure. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net asset in 2023 is HUF 10,914 million (HUF 1,704 million net liability in 2022). This resulted in an increase in asset of HUF 12,618 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 29 (Cas-flow hedge reserve).

*Effects of hedge accounting on the financial position and performance*
The effects of the foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

| **Foreign currency forwards** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Carrying amount of the hedging instrument - liabilities (HUFm) | 10,914 | (1,704) |
| Notional amount (USD) | 338,950,000 | 241,425,000 |
| Maturity date | 2024/2025 | 2023/2024 |
| Hedge ratio* | 100% | 100% |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | 12,618 | (1,681) |
| Weighted average forward rate for outstanding hedging instruments (including forward points) USD/HUF | 351.95 | 389.50 |

* The foreign currency forward is denominated in the same currency (USD) as the highly probable royalty income, therefore the hedge ratio is 1:1.

## Energy market and foreign price risk

### *Natural gas – market price risk (TTF)*

*Amounts recognised in profit or loss*
There were reclassifications from the Cash-flow hedge reserve to profit or loss (general expenses) as loss of HUF 52 million during the year 2023 in relation to outflows of natural gas expenses and TTF commodity swap contracts.

*Hedge effectiveness*
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of market-priced (TTF) natural gas expenses, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of natural gas expenses, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into TTF commodity swap that have similar critical terms as the hedged item, such as maturity, notional amount (MWh) or currency (TTF Argus month-ahead). The Company hedges the market price risk exposure inherent in its TTF price cash-flows from forecasted natural gas consumption. The Company's strategy is to hedge up to 80 % - 100 % coverage on the TTF market-priced natural gas exposure. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was an ineffective portion booked in P&L following the measurement of the hedge effectiveness (the ineffective negative fair value difference was HUF 271 million). Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 604 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 604 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 29 (Cash-flow hedge reserve).

*Effects of hedge accounting on the financial position and performance*
The effects of the TTF commodity SWAP related hedging instruments on the Company's financial position and performance are as follows:

| **TTF SWAP commodity hedge** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (604) | - |
| Notional amount (MWh) | 87,888 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (604) | - |
| The ineffective portion of the change in the fair value of the hedging instrument (HUFm) | (271) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/MWh | 34.45 | - |

*The TTF commodity swap is denominated in the same TTF prices (TTF Argus month-ahead) as the highly probable natural gas expenses, therefore the hedge ratio is 1:1.

***Natural gas – foreign currency risk (EUR)***

*Amounts recognised in profit or loss*
There were reclassifications from the Cash-flow hedge reserve to profit or loss (general expenses) as loss of HUF 13 million during the year 2023 in relation to outflows of natural gas expenses and foreign currency forwards.

*Hedge effectiveness*
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency natural gas expenses, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign natural gas expenses, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (EUR). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted natural gas consumption. The Company's strategy is to hedge up to 50% -100 % coverage on the foreign currency exposure of natural gas expenses. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was an ineffective portion booked in P&L following the measurement of the hedge effectiveness (the ineffective negative fair value difference was HUF 6 million). Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 80 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 80 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 29 (Cash-flow hedge reserve).

*Effects of hedge accounting on the financial position and performance*
The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

| Foreign currency forward | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (80) | - |
| Notional amount (EUR) | 2,634,504 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (80) | - |
| The ineffective portion of the change in the fair value of the hedging instrument (HUFm) | (6) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/HUF | 389.69 | - |

*The foreign currency forward is denominated in the same currency (EUR) as the highly probable natural gas expenses, therefore the hedge ratio is 1:1.

***Electricity – foreign currency risk (EUR)***

*Amounts recognised in profit or loss*
There were not reclassifications from the Cash-flow hedge reserve to profit or loss (general expenses) during the year 2023 in relation to outflows of electricity expenses and foreign currency forwards.

*Hedge effectiveness*
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign electricity expenses outcome, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign electricity expenses outcome, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (EUR). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted electricity consumption. The Company's strategy is to hedge up to 50% -100 % coverage on the foreign currency exposure of electricity expenses. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 263 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 263 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 29 (Cash-flow hedge reserve).

*Effects of hedge accounting on the financial position and performance*
The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

| Foreign currency forward | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (263) | - |
| Notional amount (EUR) | 9,986,912 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (263) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/HUF | 392.04 | - |

*The foreign currency forward is denominated in the same currency (EUR) as the highly probable electricity expenses, therefore the hedge ratio is 1:1.

# 12. Property, plant and equipment

**Accounting policy**
Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The Group uses the following depreciation rates on a straight-line basis:

| Name | Depreciation |
|---|---|
| Land | 0% |
| Buildings | 1-4.5% |
| Plant and equipment | |
| *Plant and machinery* | *5-33.33%* |
| *Vehicles* | *10-20%* |
| *Office equipments* | *8-33.33%* |

The Group accounts full depreciation for the low value assets (having lower gross value than HUF 200,000) at recognition, so when the asset is available for use.

Depreciation is calculated monthly and recognised as Cost of sales, Sales and marketing expenses or Administration and general expenses or Research and development expenses depending on the purpose of usage of underlying assets, in the Consolidated Income Statement or recognised as Inventories in the Consolidated Balance Sheet.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The residual value of property, plant and equipment with the exception of cars is not material, because of the nature of the activity of the Group. Residual value of cars is 20% of their initial cost.

Impairment of tangible assets
An impairment loss is recognised immediately in profit or loss as "Other expenses", a reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as "Other income".

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Property, plant and equipment without Right-of-use assets | 329,617 | 301,478 |
| Right-of-use assets | 17,777 | 14,471 |
| **Total** | **347,394** | **315,949** |

## 12.1 Property, plant and equipment without Right-of-use assets

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

| | Land and buildings HUFm | Plant and equipment HUFm | Construction in progress HUFm | Total HUFm |
|---|---|---|---|---|
| **Gross value** | | | | |
| **at 31 December 2022** | **221,430** | **368,423** | **58,865** | **648,718** |
| Translation differences | (5,292) | (5,445) | (922) | **(11,659)** |
| Effect of newly acquired companies | - | 51 | - | **51** |
| Additions | 17,792 | 27,556 | (45,348) | **-** |
| Transfers and capital expenditure | 3,808 | 1,649 | 61,979 | **67,436** |
| Disposals | (2,700) | (7,228) | (197) | **(10,125)** |
| Disposal of subsidiary | (859) | (2,876) | (5) | **(3,740)** |
| **at 31 December 2023** | **234,179** | **382,130** | **74,372** | **690,681** |
| **Accumulated depreciation** | | | | |
| **at 31 December 2022** | **76,043** | **271,197** | **-** | **347,240** |
| Translation differences | (894) | (3,737) | - | **(4,631)** |
| Effect of newly acquired companies | - | 26 | - | **26** |
| Current year depreciation | 6,493 | 19,608 | - | **26,101** |
| Net foreign currency exchange differences | (13) | (42) | - | **(55)** |
| Disposals | 1,083 | (6,230) | - | **(5,147)** |
| Disposal of subsidiary | (446) | (2,024) | - | **(2,470)** |
| **at 31 December 2023** | **82,266** | **278,798** | **-** | **361,064** |
| **Net book value** | | | | |
| **at 31 December 2022** | **145,387** | **97,226** | **58,865** | **301,478** |
| **at 31 December 2023** | **151,913** | **103,332** | **74,372** | **329,617** |

All items of Property, plant and equipment are free from liens and charges. The amount of Land and buildings does not contain any Investment property.

## 12.2 Right-of-use assets

Accounting principles of Right-of-use assets are described in Note 33.

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

| | Building | Land | Machinery | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **At 1 January 2022** | **10,730** | **1,502** | **13** | **46** | **4,384** | **16,675** |
| Additions/(Disposals) | 499 | 150 | (7) | 87 | 2,711 | 3,440 |
| Current year depreciation | (3,260) | (24) | (5) | (16) | (2,339) | (5,644) |
| **At 31 December 2022** | **7,969** | **1,628** | **1** | **117** | **4,756** | **14,471** |
| Additions/(Disposals) | 4,740 | 369 | 5 | (76) | 3,509 | 8,547 |
| Current year depreciation | (2,672) | (27) | (3) | (15) | (2,524) | (5,241) |
| **At 31 December 2023** | **10,037** | **1,970** | **3** | **26** | **5,741** | **17,777** |

# 13. Goodwill

**Accounting policy**
The recoverable amount of the cash generating unit is the higher of fair value less cost of disposal or its value in use, which is determined by Discounted Cash-Flow method.

The impairment loss is recognised in the "Other expenses" line in the Consolidated Income Statement.

When in the case of a bargain purchase, the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement within "Other income".

Goodwill arising on acquisitions are recorded in the functional currency of the acquired entity and translated at year end closing rate.

| | Goodwill |
|---|---|
| | HUFm |
| **Cost** | |
| **At 1 January 2022** | **35,005** |
| Decrease deriving from sale of subsidiary | (1,115) |
| Exchange differences | 2,103 |
| Impairment charged for the year | (892) |
| **At 31 December 2022** | **35,101** |
| At 1 January 2023 | 35,101 |
| Exchange differences | (3,198) |
| **At 31 December 2023** | **31,903** |

In 2022 the impairment was charged in pharmaceutical segment related to Gedeon Richter Mexico, S.A.P.I. de C.V.

**Closing goodwill on Cash Generating Units (Companies)**

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| **Pharmaceuticals segment** | | |
| Gedeon Richter Polska Sp. z o.o. | 1,316 | 1,276 |
| Richter-Helm BioLogics GmbH & Co. KG | 122 | 127 |
| GRMed Company Ltd. | 29,358 | 32,649 |
| Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A. | 59 | 59 |
| Gedeon Richter Mexico, S.A.P.I. de C.V | 987 | 929 |
| **Other segment** | | |
| Pesti Sas Holding Kft. | 61 | 61 |
| **Total** | **31,903** | **35,101** |

Impairment tests of the goodwill are based on the following assumptions:

**Gedeon Richter Polska Sp. z o.o.**

Gedeon Richter Polska Sp. z o.o. was profitable on consolidated level in 2023. According to its midterm financial plans growth is expected for the following years. As a result of this no impairment was required at the end of financial year of 2023 similar to 2022. Any reasonable change in the key assumptions is still not expected to result in an impairment of Goodwill.

**GRMed Company Ltd.**

GRMed Company Ltd. was acquired in 2013, which transaction supported the Group's stronger presence in China. The realised goodwill has been tested for impairment for the previous years. Considering that the future cash-flows from continued use of the assets were considerable, the return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded.
The Company announced on 22 January 2016 that it acquired from its partner, Rxmidas Pharmaceuticals Holdings Ltd. its outstanding 50% stake in Gedeon Richter Rxmidas Joint Venture Co. Ltd. following the setting up of a joint venture with an initial 50% share of equity announced in December 2010. Subsequent to the acquisition, the Company now holds 100% of Gedeon Richter Rxmidas Joint Venture Co. Ltd., consequently, is in full charge of its Rx and OTC business in China.
The Group has restructured its operation in China and merged the activity of Gedeon Richter Rxmidas Joint Venture Co. Ltd. to GRMed Company Ltd. As a result of reorganisation (in 2017) of the business and the reporting structure, both of the goodwill presented before the transaction are allocated to the merged GRMed Company Ltd.

The goodwill impairment was tested as of the balance sheet date of 31 December 2023 and it was found that there was no need to account for impairment.
Since the goodwill has been allocated to the traditional products, the Group disregarded the cash-flows and assets connected to products launched or planned to be launched after the acquisition when determining the recoverable amount and the carrying value.

The calculations were based on the long-term turnover projection and cost plan adopted by the management, the underlying cash-flows of which are expected to reflect market participant assumptions as well. The present value of cash-flows beyond this was determined by means of the terminal value formula.

A steady increase in cash-flows is envisioned for the projection period (2024-2033) due to the average annual 1.4% growth in turnover.

The present value of the 2024-2033 cash-flows and (by applying a conservative estimate of) residual value reckoning with 0% growth are 4% above the tested amount. The book value of goodwill as of 31 December 2023 amounts to HUF 29,358 million (HUF 32,649 million in 2022).

The discount rate (post tax 2023: 8.4%; 2022: 8.9%) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash-flow estimates have not been adjusted.

An increase in post-tax discount rate to 8.7% or a 1% decrease in forecasted sales volumes would remove the difference between the carrying value of goodwill and the recoverable amount of the CGU.

## 14. Other intangible assets

**Accounting policy**
Intangible assets initially are measured at cost.

The Group regularly enters into licensing agreements that requires the Group to pay certain license fees. A typical license agreement contains:
- Upfront payments;
- Regulatory milestones; and
- Sales based royalties.

The upfront payments generally meet the definition of an intangible acquired in a purchase transaction and meets the recognition criteria of IAS 38. All the milestone payments based on regulatory approval are recognised as part of the intangible asset when those payments become payable.

The sales based royalty payments made to the licensor based on the revenue of the Group are recognized as expense in the same period as the revenue for the sale of pharmaceutical product is recognized.

The Group is using the straight-line method to amortize the cost of intangible assets over their estimated useful lives as follows:

| Name | Amortization |
|---|---|
| Rights | |
| *Property rights (connected with properties)* | *5%* |
| *Other rights (licenses)* | *5-50%* |
| Intellectual property | 4-50% |
| Research and development | 5-50% |
| ESMYA, BEMFOLA | 4% |

The purchased licenses are amortised based on the contractual period, resulting in amortization rates within the range presented in the table above.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Consolidated Income Statement depending on the function of the intangible assets.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Group is using the straight-line method to amortize R&D over the estimated useful life.

*Impairment of intangible assets*

An impairment loss is recognised immediately in profit or loss as "Other expenses", a reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as "Other income".

The Group does not recognise amortization for intangible assets with indefinite useful lives or intangible assets that are not yet available for use but based on indicators annually reviews the necessity of impairment.

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Other intangible assets | 180,656 | 154,581 |
| Intangibles generated internally | 49,727 | 42,133 |
| **Total** | **230,383** | **196,714** |

| | Rights HUFm | Intellectual property HUFm | Research and development HUFm | Total other intangible assets HUFm |
|---|---|---|---|---|
| **Gross value** | | | | |
| **at 31 December 2021** | **305,550** | **6,544** | **423** | **312,517** |
| Translation differences | 1,794 | 319 | - | **2,113** |
| Additions | 33,422 | 786 | - | **34,208** |
| Disposals | (21,990) | (204) | - | **(22,194)** |
| Disposal of subsidiary | (6,139) | (619) | - | **(6,758)** |
| **at 31 December 2022** | **312,637** | **6,826** | **423** | **319,886** |
| **Accumulated depreciation** | | | | |
| **at 31 December 2021** | **127,877** | **5,119** | **423** | **133,419** |
| Translation differences | 1,519 | 228 | - | **1,747** |
| Current year amortisation | 14,322 | 343 | - | **14,665** |
| Net foreign currency exchange differences | (6) | 5 | - | **(1)** |
| Impairment and reversal of impairment (net) | 18,681 | - | - | **18,681** |
| Disposals | 10 | (81) | - | **(71)** |
| Disposal of subsidiary | (2,754) | (381) | - | **(3,135)** |
| **at 31 December 2022** | **159,649** | **5,233** | **423** | **165,305** |
| **Net book value** | | | | |
| **at 31 December 2021** | **177,673** | **1,425** | **-** | **179,098** |
| **at 31 December 2022** | **152,988** | **1,593** | **-** | **154,581** |

| | Rights | Intellectual property | Research and development | Total other intangible assets |
|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm |
| **Gross value** | | | | |
| **at 31 December 2022** | **312,637** | **6,826** | **423** | **319,886** |
| Translation differences | (128) | (55) | - | **(183)** |
| Effect of newly acquired companies | 14,142 | - | - | **14,142** |
| Additions | 41,324 | 1,135 | - | **42,459** |
| Disposals | (6,846) | 395 | - | **(6,451)** |
| Disposal of subsidiary | (3,570) | (558) | - | **(4,128)** |
| **at 31 December 2023** | **357,559** | **7,743** | **423** | **365,725** |
| **Accumulated depreciation** | | | | |
| **at 31 December 2022** | **159,649** | **5,233** | **423** | **165,305** |
| Translation differences | 105 | (48) | - | **57** |
| Current year amortisation | 15,947 | 376 | - | **16,323** |
| Net foreign currency exchange differences | 3 | 2 | - | **5** |
| Impairment and reversal of impairment (net) | 4,127 | - | - | **4,127** |
| Disposals | (252) | (303) | - | **(51)** |
| Disposal of subsidiary | (441) | (358) | - | **(799)** |
| **at 31 December 2023** | **179,138** | **5,508** | **423** | **185,069** |
| **Net book value** | | | | |
| **at 31 December 2022** | **152,988** | **1,593** | **-** | **154,581** |
| **at 31 December 2023** | **178,421** | **2,235** | **-** | **180,656** |

All intangible assets are free from liens and charges. The intangible assets of the Group, except for R&D, are not own produced.

The average remaining useful life of the intellectual properties exceed 5 years, in 2022 it was less than 5 years.

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

| Net book value | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| EVRA | 65,536 | 69,367 |
| Relugolix | 24,390 | 21,881 |
| Mithra/Drovelis | 18,492 | 18,986 |
| Mithra/Donesta | 21,141 | 2,019 |
| Grünenthal | 8,149 | 12,387 |
| Bemfola/Afolia | 4,029 | 4,236 |
| Mycovia | 0 | 0 |
| Mifepristone | 0 | 0 |
| Tocilizumab | 0 | 0 |
| Other, individually not significant rights | 10,857 | 12,666 |
| **Total commercial rights** | **152,594** | **141,542** |
| Marketing authorization and TM | 12,660 | - |
| Other, individually not significant rights | 13,167 | 11,446 |
| **Total** | **178,421** | **152,988** |

The following details the other intangible assets considered to be most significant by Management.

**Rights** – Evra
In December 2020 Richter signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra® transdermal contraceptive patch. The deal was closed in January 2021 and in accordance with a transitional business license agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The purchase price paid for the assets on the closing of the deal, amounted to USD 263.5 million. By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women. EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99 % effective. Royalty type revenues linked to sales of Evra® by Janssen during this transitional period are being reported as sales. The book value of the intangible asset as of 31 December 2023 is HUF 65,536 million.

**Rights** – Relugolix
On 31 March 2020, the Company announced that it had entered into an exclusive agreement with Myovant Sciences GmbH to market the combination tablet of Relugolix® (containing 40 mg relugolix, 1.0 mg estradiol and 0.5 mg norethindrone acetate) in the indications for uterine fibroids and endometriosis. The geographic scope of the agreement covers Europe, CIS countries including Russia, Latin America, Australia and New Zealand. Myovant is a healthcare company developing innovative products in the field of gynecology and prostate cancer. Under the agreement, Myovant will receive USD 40 million milestone revenue at the time of the contract and will be entitled to additional milestone revenue of up to USD 40 million tied to the achievement of each milestone of regulatory approvals. The milestone revenues tied to post-authorization sales levels could amount to USD 107.5 million and the parties will also tie the amount of royalty to be paid in band to the level of sales. Myovant reserves all rights in the United States with respect to Relugolix® combination tablets, as well as its rights to non-gynecological indications for Relugolix. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 15,151 million as of 31 December 2023. For the part of intangible assets which are not in use (net book value on 31 December 2023 is HUF 9,239 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mithra/Drovelis
As part of Richter's Specialty Pharma strategy on 2 September 2018, Richter announced that it entered into an exclusive license and supply agreement with Mithra Pharmaceuticals to commercialize Dovelis®, a combined oral contraceptive, containing esterol and drospirenone. Richter is going to commercialize the product under a different brand name. The geographic scope of the agreement covers Europe and Russia. Under the terms of the agreement Richter made upon signature of the cntract an upfront payment totalling EUR 35 million. Mithra is entitled to receive additional milestone payments amounting to EUR 20 million depending on the progress of development and regulatory process of the product. Further sales related royalties will become payable to Mithra subsequent to the launch of the product and Mithra will receive guaranteed annual recurring revenues based on minimum annual quantities (MAQ), in addition to tiered royalties on net sales. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 17,262 million as of 31 December 2023. For the part of intangible assets which are not in use (net book value at 31 December 2023 is HUF 1,230 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mithra/Donesta
On 15 February 2023 Richter announced it has signed a licence agreement with Mithra Pharmaceuticals for the commercialisation of Donesta®, which is an estetrol-based product candidate for Hormone Replacement Therapy for the treatment of post-menopausal symptoms.
Donesta® is Mithra's next generation orally-administrated estetrol (E4)-based hormone therapy product candidate offering a potential long-term solution for treating different symptoms of menopause. Estetrol (E4), the first native estrogen from human fetal origin. E4 acts differently from classical oestrogens. Due to its selective activation of nuclear Estrogen receptors and its unique metabolism result in a low impact on haemostasis and breast with an improved benefit/safety profile. For the intangible asset which is not In use we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss. As a result the intangible asset's net book value as of 31 December 2023 is HUF 21,141 million.

**Rights** – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorization (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. Net book value of the rights in relation to Grünenthal is HUF 8,149 million as of 31 December 2023 and HUF 12,387 million as of 31 December 2022.

**Rights** – Bemfola/Afolia
On 30 June 2016 Richter acquired Finox Holding, a privately held Swiss biotech company focused on development and commercialisation of innovative and cost effective products addressing female fertility. Finox's product, Bemfola® is a recombinant-human Follicle Stimulating Hormone (r-hFSH) which was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola® except for the US. As a result of the acquisition, Richter expanded its Women's Healthcare portfolio with the female fertility therapeutic area and was able to increase its biosimilar market potential. On 10 July 2018 Richter announced that it had established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, Bemfola®/Afolia, for the use in the United States. During 2020, the Company recognized 100% impairment loss of HUF 1,389 million on intellectual property rights in relation to the US territory. Richter does not intend to launch the product in the US as significant additional clinical development costs in accordance with FDA regulations would occur, which would significantly decrease the profitability of the product taken into account the potential market size and market share. As of 31 December 2023, we performed impairment test for the remaining intangible assets of HUF 4,029 million based on qualitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mycovia
On 16 October 2019 Richter and Mycovia Pharmaceuticals, Inc. announced that they have entered into an exclusive license and development and technology transfer agreement to commercialize and manufacture VT-1161, currently in Phase III clinical trials for the treatment of Recurrent Vulvovaginal Candidiasis. The geographic scope of the license agreement covers Europe, Russia, the other CIS countries, Latin America and Australia. Under the terms of the agreement Richter shall make milestone payments related to the clinical development process.
In 2022, due to the risks identified during non-clinical trials which affected significantly the product's sales potential. Therefore 100% impairment has been accounted for in relation with the Mycovia intangible asset. The total impairment expense accounted is HUF 8,677 million and the carrying value of 2the Mycovia intangible asset is HUF 0. During the financial year 2023, there was no indication or circumstance that would give rise to a reversal of the previously recognised impairment loss.

**Rights** – Mifepristone
In 2022, 100% impairment has been accounted for in relation with the Mifepristone intangible asset, due to results of clinical trials which gave rise to additional risks, which are anticipated to diminish the long term return of the investment. The total impairment expense accounted is HUF 4,938 million and the carrying value of the Mifepristone intangible asset is HUF 0. During the financial year 2023, there was no indication or circumstance that would give rise to a reversal of the previously recognised impairment loss.

**Rights** – Tocilizumab
On 29 April 2020 the Company announced that it has entered into an asset purchase agreement with Mycenax Biotech Inc. ("Mycenax") in respect of biosimilar tocilizumab ("Product") for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialise the Product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property (IP) rights, technology know-how and data generated by Mycenax. The Parties have agreed that the price payable by Richter in four instalments amounts to USD 16.5 million. Richter made a down payment of USD 2 million for exclusive negotiation rights and will pay upon signature an additional USD 3 million as upfront payment. The Product is expected to reach the market in the European Union, Canada, Australia and Japan during 2025.
As of 31 December 2022, we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. 100% impairment has been accounted for in relation with the Tocilizumab intangible asset due to expected delay in the launch of the Product and higher anticipated costs of manufacturing. The total impairment expense accounted in 2022 was HUF 5,355 million and the carrying value of the Tocilizumab intangible asset was HUF 0. In 2023 we performed impairment test based on quantitative indicators and concluded that there is no indication that the previously accounted impairment should no longer exist.

**Rights** – Shact
The Company each year reviews its development projects and the intangible assets related to sales of products. As a result of this, in 2023 HUF 4,127 million (in 2022 HUF 20,068 million) impairment expense was recognised. The majority of this impairment relates to Lidbree product. Based on the expected future performance of the product the return on the intangible asset is not provided, therefore 100% (HUF 3,043 million) impairment expense was recognised.

**Intangibles generated internally:**

**BEMFOLA**
The intangible asset was recognised at the acquisition transaction of Finox in the value of HUF 50,916 million with 25 years useful life. The amortisation of this asset started in 2016.
Started in 2017 and completed by the end of 2018, Richter's integration of the company's operations into Richter's system took over the full distribution of Bemfola®, the Western European marketing of the product and the secondary packaging of the product. As a result, the business model of the product has changed, and the profit center has been moved from Finox to the parent company. Finox has transferred the commercial rights of Bemfola® under an agreement, so that from the date of the contract all profits/losses will be realized at the Parent Company. Accordingly, the BEMFOLA intangible asset recognized at the acquisition, at the consolidated level, also owned by the Parent Company, which means that the value previously recorded in EUR - Finox Group currency - was converted into the currency of the Parent (HUF) at the date of the transfer. Net book value of BEMFOLA intangible is HUF 36,386 million as of 31 December 2023.
Another intangible asset was recognised during the acquisition in the amount of HUF 1,597 million, as Customer Relationship. The value of this intangible was considerably smaller compared to BEMFOLA. Net book value after amortisation, started in 2016, is HUF 1,141 million as of 31 December 2023.

**GISKIT**
The Parent Company announced on 20 July 2023 that they signed a Share Purchase Agreement to acquire 100% of the Giskit MD B.V. shares. Giskit MD B.V. is the owner of ExEm Foam® and Gis-Kit assets and patent rights globally, excluding the US, China and South Korea (where they are pharma products). Both Women's Health Care products are used in more patient-friendly ultrasound examinations, ExEm® Foam for the examination of the fallopian tubes and Gis-Kit for the examination of the uterine cavity. They have been successfully commercialised for several years in more than 40 countries globally. During the acquisition an intangible asset has been recognised, which had a net book value at the time of acquisition of HUF 10,765 million. The estimated useful life for the rights is 10 years. The amortization period started in 2023. Net book value of the rights in relation to Giskit is HUF 10,429 million as of 31 December 2023.

**COLIEF**
The intangible asset was recognised at the acquisition of SHE Healthcare Company Ltd. in an amount of HUF 2,793 million (CNY 50.7 million) with an approximately 6 years useful life. The amortization started in May 2022. Net book value is HUF 1,771 million as of 31 December 2023.

## 15. Investments in associates and joint ventures

**Accounting policy**
A joint venture is a contractual arrangement whereby the Group and the parties undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains and losses arising on sale or partial sale of investments in associates and joint ventures are recognised in the Consolidated Income Statement.

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| **At 1 January** | **9,281** | **10,800** |
| Acquisition/capital increase | 2,654 | - |
| Share of profit of associates and joint ventures | 6,134 | 6,150 |
| Net investments* | (416) | (3,990) |
| Dividend | (938) | (2,770) |
| Impairment | (1,624) | - |
| Exchange difference | (86) | (909) |
| **At 31 December** | **15,177** | **9,281** |
| out of investment in associates | 13,853 | 11,521 |
| out of investment in joint ventures | 1,324 | (1,962) |

* Share of loss and exchange difference recognized against loans provided to joint ventures (as net investment in joint ventures) in accordance with IAS 28.38.

In 2019 the Company increased its shares in its associate company, Evestra Inc. On the one hand a convertible loan was converted into shares and on the other hand the Company purchased further shares. In 2020, Richter has terminated its license agreements for two products under development with Evestra Inc. due to unfavourable market conditions and license agreements terminated the expected future cash-flows have significantly worsened. Based on the assumptions the recoverable amount of the shareholding is significantly lower than the book value therefore HUF 1,624 million impairment loss was recognized in 2023. The net book value of the investments in Evestra after impairment loss is HUF 0 million as of 31 December 2023.

Reconciliation of the summarised financial information presented to the carrying amount of the associates, highlighting the most significant associate of the Group (Hungaropharma Zrt.). Since Hungaropharma Zrt. is a group preparing IFRS consolidated financial statements, therefore in the net asset figure below, the "preliminary consolidated net asset attributable to the owner of the parent" was taken into account.

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| **Opening net assets at 1 January of Hungaropharma Zrt.** | **32,113** | **29,239** |
| Profit for the year* | 5,096 | 3,586 |
| Dividends | (943) | (712) |
| **Closing net assets at 31 December of Hungaropharma Zrt.** | **36,266** | **32,113** |
| Interest in associate (at 30.85%) | 11,209 | 9,922 |
| Unrealised profit elimination | (233) | (110) |
| Interest in other associates | 2,877 | 1,709 |
| **Carrying value at 31 December** | **13,853** | **11,521** |

* The profit for the year was adjusted to reflect the difference between the audited and non-audited balance of the associate as of the previous year. The adjustment was not material.

Similar reconciliation of the investment in joint ventures is not performed since they are considered to be not significant.

At 31 December the following associates have been accounted for by the equity method:

| **Name** | **Place of incorporation** | **Principal activity** | **Non-current assets** HUFm | **Current assets** HUFm | **Non-current liabilities** HUFm | **Current liabilities** HUFm | **Revenues** HUFm | **Profit / (loss)** HUFm | **Interest held** % |
|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | |
| Hungaropharma Zrt. | Hungary | Pharmaceutical wholesale | 20,606 | 92,009 | 4,239 | 70,373 | 522,260 | 7,230 | 30.85 |
| Salvia-Med Bt. | Hungary | Pharmaceutical retail | 1 | 100 | - | 50 | 898 | 38 | 32.79 |
| Szondi Bt. | Hungary | Pharmaceutical retail | 30 | 144 | - | 29 | 513 | 10 | 33.00 |
| Top Medicina Bt. | Hungary | Pharmaceutical retail | 24 | 51 | - | 40 | 421 | (0) | 20.00 |
| Vita-Richter SP OOO | Azerbaijan | Pharmaceutical trading | - | - | - | - | - | - | 49.00 |
| Pharmatom Kft. | Hungary | Biotechnological research, development | 438 | 0 | - | 448 | - | (1) | 24.00 |
| Pesti Sas Patika Bt. | Hungary | Pharmaceutical retail | 1 | 14 | - | 16 | 155 | (1) | 49.00 |
| Evestra Inc. | USA | Biopharmaceutical research, development | 1,564 | 4,573 | - | 2,554 | - | 539 | 35.31 |
| Prima Temp Inc. | USA | Pharmaceutical research, development | 310 | 112 | 1,732 | 299 | 2,080 | 1,940 | 22.99 |
| Procare Health Iberia, S.L. | Spain | Pharmaceutical wholesale | 4,420 | 4,663 | 1,917 | 3,282 | 8,443 | (39) | 16.00 |

| Name | Place of incorporation | Principal activity | Non-current assets HUFm | Current assets HUFm | Non-current liabilities HUFm | Current liabilities HUFm | Revenues HUFm | Profit / (loss) HUFm | Interest held % |
|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | |
| Hungaropharma Zrt. | Hungary | Pharmaceutical wholesale | 18,141 | 81,289 | 5,505 | 60,876 | 460,858 | 5,126 | 30.85 |
| Salvia-Med Bt. | Hungary | Pharmaceutical retail | 1 | 98 | - | 47 | 771 | 40 | 32.79 |
| Szondi Bt. | Hungary | Pharmaceutical retail | 31 | 164 | - | 34 | 535 | 25 | 33.00 |
| Top Medicina Bt. | Hungary | Pharmaceutical retail | 26 | 45 | - | 31 | 429 | 5 | 20.00 |
| Vita-Richter SP OOO | Azerbaijan | Pharmaceutical trading | - | - | - | - | - | - | 49.00 |
| Pharmatom Kft. | Hungary | Biotechnological research, development | 438 | 1 | - | 449 | - | (3) | 24.00 |
| Pesti Sas Patika Bt. | Hungary | Pharmaceutical retail | 2 | 17 | - | 18 | 153 | (0) | 49.00 |
| Evestra Inc. | USA | Biopharmaceutical research, development | 1,854 | 5,207 | - | 1,948 | - | (3,319) | 35.31 |
| Prima Temp Inc. | USA | Pharmaceutical research, development | 329 | 129 | 94 | 2,272 | 1,195 | (192) | 22.99 |

The financial statements for 2023 of Hungaropharma Zrt, the most significant associate of the Group have not been audited yet. Corresponding data for year 2022 has not been amended in 2023 Consolidated Financial Statements as there were no material differences between the audited and unaudited figures of 2022.
Amounts of assets, liabilities, revenues and profit/loss are presented at 100%.
The associates did not have any item in Other Comprehensive Income (in 2023 and 2022).

At 31 December the following joint ventures have been accounted for using the equity method:

| Name | Place of incorporation | Principal activity | Non-current assets HUFm | Current assets HUFm | Non-current liabilities HUFm | Current liabilities HUFm | Revenues HUFm | Profit / (loss) HUFm | OCI HUFm | Interest held % |
|---|---|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | | | |
| Medimpex Irodaház Kft. * | Hungary | Renting real estate | 2,020 | 398 | 116 | 116 | 433 | 155 | - | 50.00 |
| Richter-Helm BioTec Management GmbH | Germany | Asset management | - | 5 | - | 2 | - | (1) | - | 50.00 |
| Richter-Helm BioTec GmbH & Co. KG | Germany | Trading of biotech products, Marketing services | - | 5,235 | 13,443 | 1,967 | 9,778 | 7,334 | (80) | 50.00 |

| Name | Place of incorporation | Principal activity | Non-current assets HUFm | Current assets HUFm | Non-current liabilities HUFm | Current liabilities HUFm | Revenues HUFm | Profit / (loss) HUFm | OCI HUFm | Interest held % |
|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | |
| Medimpex Irodaház Kft. * | Hungary | Renting real estate | 2,131 | 358 | 83 | 253 | 354 | 84 | - | 50.00 |
| Richter-Helm BioTec Management GmbH | Germany | Asset management | - | 6 | - | 1 | - | (1) | - | 50.00 |
| Richter-Helm BioTec GmbH & Co. KG | Germany | Trading of biotech products, Marketing services | - | 10,401 | 14,057 | 1,135 | 9,796 | 8,279 | 447 | 50.00 |

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

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

# 16. Non-current financial assets at amortised cost

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

## 16.1 Loan receivables

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Loans given to related parties and other investments | 2,934 | 7,175 |
| Other loans given | 363 | 776 |
| **Total** | **3,297** | **7,951** |

The Group accounted for HUF 158 million loss allowance, which is in Stage 3, and the remaining HUF 7 million is classified as Stage 2.

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

| | Loans given to related parties and other investments HUFm | Other loans given HUFm |
|---|---|---|
| Balance at 1 January 2022 | 160 | 23 |
| Loss allowances | 1 | - |
| Reversal of impairment | - | (23) |
| **Balance at 31 December 2022** | **161** | **-** |
| Balance at 1 January 2023 | 161 | - |
| Loss allowances | - | 7 |
| Reversal of impairment | (3) | - |
| **Balance at 31 December 2023** | **158** | **7** |

## 16.2 Government securities, corporate bonds and long-term deposits measured at amortised cost

The Group accounts for the part of securities at amortised cost model because the business model is hold to collect, and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Government securities, corporate bonds | 823 | 1,546 |
| Long-term deposit | - | 11,304 |
| **Total** | **823** | **12,850** |

# 17. Non-current financial assets at FVTPL

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

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Government securities, corporate bonds | 75,839 | 61,715 |
| Other financial asset (Mycovia) | - | 6,009 |
| **Total** | **75,839** | **67,724** |

The Group initially recognizes the corporate bonds, government securities and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Group had not selected the fair value option. On this basis government securities and corporate bonds are subsequently measured at FVTPL.

On 16 October 2019 Gedeon Richter Plc. and Mycovia Pharmaceuticals Inc. signed a royalty purchase agreement according to which Richter acquires a certain portion of the net turnover of US sales of the future product (for more details pls. see Note 14) for the purchase price of USD 25 million. The amount of purchased royalty right is presented as a financial asset and valued at fair value through profit or loss as of 31 December 2021. The fair value of Mycovia financial assets was HUF 0 million at 31 December 2023 and HUF 6,009 million at 31 December 2022. The sales of Mycovia US significantly fell short of expectations, due to the lack of active market advertising and the unapproved FDA license for Females of Reproductive Potential. The Company recognized a 100% impairment of value for the Mycovia financial investment in August 2023. The previously expected cash-flow data significantly underperformed compared to the actual data for 2023. We examined the percentage of success with a look-back test in quarterly horizon, but it showed a value close to 0%, even after 40% write off of the expected cash-flows for the first half of 2023.

# 18. Non-current financial assets at FVOCI

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

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Government securities, corporate bonds | 26,892 | 27,443 |
| Equity instruments | 36,326 | 35,318 |
| Investments | 8,521 | 5,432 |
| **Total** | **71,739** | **68,193** |

The received dividend was HUF 742 million related to ETFs.

Based on the management valuation, there are signs to make impairment for assets presented in FVOCI model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Group. The Group has three Russian financial instruments that are directly or indirectly affected. One of these are recorded at other comprehensive income (OCI) as non-current financial assets. During the calculation of the expected credit loss (ECL), the Group applied the DCF model. No quoted market price was available for the debt instrument from the first quarter of 2023, in the absence of the limited observable input data, we used a DCF model with a market yield curve and calculated an ECL according to the "sanction" risk premium. differences between the present values of the expected future cash-flows and the fair values quoted in the market. The additional risk premium parts were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in Stage 1, the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. In 2023 a reversal of impairment was booked due to the FX effect (HUF 10 million) accordingly the total amount of impairment was HUF 238 million.

In 2023 the most significant investment measured at fair value is, a 9.63% ownership in Themis Medicare Ltd., valued at fair value based on the closing stock exchange price. Since there was an increase in the share price, therefore HUF 2,422 million revaluation gain was recorded against revaluation reserve for financial assets at FVOCI in 2023. A closing fair value is HUF 7,832 million.

# 19. Deferred tax assets and liabilities

**Accounting policy**
A deferred tax liability or asset is recognized if the recovery of the carrying amount of an asset or the settlement of a liability will result in higher (or lower) tax payments in the future then if that recovery or settlement had no consequences. A deferred tax liability or asset is recognized for all such tax consequences that have originated but have not reversed by the balance sheet date, subject to certain exceptions.

*Deferred tax assets*
are the amounts of income taxes recoverable in future periods arising from:
- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits
- temporary differences

*Deferred tax liabilities*
are the amounts of income tax payable in future periods due to taxable temporary differences.
Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

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

Deferred tax is calculated by the balance sheet method based on the temporary differences. Deferred tax assets and liabilities in the Consolidated Balance Sheet are as follows:

| | **31 December 2023** | **31 December 2022 Restated*** |
|---|---|---|
| | HUFm | HUFm |
| Deferred tax assets | 29,244 | 29,373 |
| Deferred tax liabilities | (3,824) | (3,928) |

* See Note 50 on the details of restatement

The movement in deferred tax assets and liabilities during the year is as follows:

| **Deferred tax assets** | **PPE and intangible assets** | **Provision** | **Impairment** | **Tax credit** | **Other temporary differences** | **Unrealised profit elimination** | **Total** |
|---|---|---|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **1 January 2022** | **1,355** | **764** | **221** | **-** | **3,206** | **6,739** | **12,285** |
| (Debited)/credited to the income statement (restated*) | (204) | 32 | (128) | 13,495 | (1,525) | 4,920 | **16,590** |
| (Debited)/credited to other comprehensive income | - | (115) | - | | 599 | - | **484** |
| Exchange differences | (28) | 29 | 1 | | 79 | - | **81** |
| Transfer | (61) | (1) | 7 | | (12) | - | **(67)** |
| **31 December 2022 (restated*)** | **1,062** | **709** | **101** | **13,495** | **2,347** | **11,659** | **29,373** |
| (Debited)/credited to the income statement | (297) | (54) | 6 | (299) | (101) | 659 | **(86)** |
| (Debited)/credited to other comprehensive income | - | 187 | - | - | (151) | - | **36** |
| Exchange differences | (13) | (5) | - | - | 17 | - | **(1)** |
| Transfer | (48) | (1) | (8) | - | (21) | - | **(78)** |
| **31 December 2023** | **704** | **836** | **99** | **13,196** | **2,091** | **12,318** | **29,244** |

* See Note 50 on the details of restatement

| **Deferred tax liabilities** | **PPE and intangible assets** | **Provision** | **Impairment** | **COLIEF** | **BEMFOLA** | **Other temporary differences** | **Total** |
|---|---|---|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **31 December 2021** | **181** | **(9)** | **(11)** | **-** | **3,400** | **237** | **3,798** |
| Acquisition of subsidiary | - | - | - | 453 | - | - | **453** |
| (Debited)/credited to the income statement | (51) | 1 | 1 | (50) | (176) | 96 | **(179)** |
| (Debited)/credited to other comprehensive income | - | - | - | - | - | 191 | **191** |
| Exchange differences | 22 | (1) | (1) | 3 | - | 13 | **36** |
| Classified as liabilities directly associated with assets classified as held for sale | (304) | - | - | - | - | - | **(304)** |
| Transfer | (69) | (1) | 7 | - | - | (4) | **(67)** |
| **31 December 2022** | **(221)** | **(10)** | **(4)** | **406** | **3,224** | **533** | **3,928** |
| (Debited)/credited to the income statement | (42) | (1) | - | (75) | (175) | 26 | **(183)** |
| (Debited)/credited to other comprehensive income | - | - | - | - | - | 218 | **218** |
| Exchange differences | 1 | (2) | - | (39) | - | (21) | **(61)** |
| Transfer | (47) | (5) | (9) | - | - | (17) | **(78)** |
| **31 December 2023** | **(225)** | **(18)** | **(13)** | **292** | **3,049** | **739** | **3,824** |

In 2023 deferred tax assets and liabilities (debited)/credited to other comprehensive income was HUF 182 million (loss) out of which HUF 369 million (loss) accounted through Revaluation reserve (see Note 29) and HUF 187 million (gain) presented through Retained earnings.

In 2022 deferred tax assets and liabilities (debited)/credited to other comprehensive income was HUF 293 million (gain) out of which HUF 408 million (gain) accounted through Revaluation reserve (see Note 29) and HUF 115 million (loss) presented through Retained earnings.

From the deferred tax balance presented above it is expected that HUF 3,098 million (in 2022 HUF 3,399 million) of the liabilities and HUF 1,540 million (in 2022 HUF 1,771 million) of the assets will reverse after 12 months.

The balance of deferred tax assets slightly decreased in the reporting period compared to 2022.

In the former year significant tax loss carried forward was at Romanian subsidiaries (in the amount of HUF 8,628 million, with unrealised DTA HUF 1,380 million) on which no deferred tax assets had been recognized as of 31 December 2022., nor in the former years since the recovery was not assured. In 2023 the sale of the Romanian wholesale and retail affiliates, please see Note 48, and the decision of the Romanian Board resulted a deferred tax asset recognition on tax loss carried forward in an amount of HUF 396 million.

The recognised deferred tax asset resulted on tax loss carried forward will expire within 3 years.

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

# 20. Other long-term receivables

**Accounting policy**
Government grants related to costs are deferred and recognised in the Consolidated Income Statement over the period necessary to match them with the costs that they are intended to compensate. Government grants related to property, plant and equipment are included in Other non-current liabilities and accruals in the Consolidated Balance Sheet and credited to the Consolidated Income Statement as "Other income" on a straight-line basis over the expected useful life of the related assets.

The Group was granted government grant related to property, plant and equipment and research and development activities. As at the end of 2023 HUF 3,135 million was approved but not financially settled, due over one year as long-term receivables (at the end of 2022 it was HUF 2,346 million). Current portion of related asset is disclosed in Note 24.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---:|---:|
| Government grants | 3,135 | 2,346 |
| Loans given to employees | 755 | 811 |
| Other long-term receivables | 288 | 275 |
| **Total** | **4,178** | **3,432** |

# 21. Inventories

**Accounting policy**
Inventories shall be measured at the lower of net realizable value or initial cost. Carrying value is the initial cost less impairment and increased by reversed impairment. Goods produced shall be measured at actual (post calculated) production cost. Goods purchased shall be measured by using the weighted average purchased price.
The cost of self-manufactured inventories is the calculated actual production cost. Costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---:|---:|
| Raw materials, packaging and consumables | 89,027 | 74,523 |
| Production in progress | 4,357 | 3,075 |
| Semi-finished and finished goods | 84,383 | 75,737 |
| **Total** | **177,767** | **153,335** |

Inventories include impairment and scrapping in value of HUF 7,746 million and reversal of impairment in value of HUF 654 million in 2023 (HUF 9,613 million impairment and scrapping and HUF 1,350 million reversal was made in 2022).
The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the particular product. The reversal of impairment is due to the change of market conditions.
As of 31 December 2023, the total carrying amount of inventories that are valued at net realisable value amounts to HUF 7,625 million (in 2022 it was HUF 6,047 million).
All items of Inventories are free from liens and charges.

# 22. Trade receivables

**Accounting policy**
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances as described in accounting policy section in Note 9 above. Realized exchange gains or losses arising on the settlement of foreign currency receivables are recognized directly in the net financial income/(loss) using the exchange rate applicable on the date of the financial settlement. At the end of the period, outstanding amounts of receivables are revalued at the foreign exchange rate, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is the transaction value according to the related invoice less the value of the expected discounts and adjusted by discounting in the case of outstanding long-term receivables. Receivables adjusted with estimated discounts should be classified in accordance with its substance, therefore in case of credit balance it is presented as liability in the Consolidated Balance Sheet.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---:|---:|
| Trade receivables (3rd parties) | 200,916 | 171,765 |
| Amounts due from related companies and other investments | 4,052 | 3,417 |
| **Total** | **204,968** | **175,182** |

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

| | **2023** HUFm | **2022** HUFm |
|---|---:|---:|
| **At 1 January** | **1,854** | **4,286** |
| Loss allowances for receivables | 522 | 199 |
| Reversal of impairment for trade receivables | (233) | (1,477) |
| Exchange difference | (27) | (58) |
| Reclassified as held for sale* | - | (1,096) |
| **At 31 December** | **2,116** | **1,854** |

* In 2022 opening value of impairment, current year allowance and reversal of impairment accounted at Pharmafarm S.A. and Gedeon Richter Farmacia S.A. had been reclassified as Assets classified as held for sale.

The reversal of impairment is explained with the financial settlement of overdue receivables.

There was no individually significant impairment loss accounted for customers neither in 2023 nor in 2022.

Impairment of trade receivables (HUFm)

| 31 December 2023 | Current | 1-30 days past due | 31-90 days past due | 91-180 days past due | 181-360 days past due | >360 days past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0.26% | 0.34% | 0.51% | 12.22% | 68.74% | 66.10% | **1.02%** |
| Gross carrying amount – trade receivables | 186,187 | 9,147 | 8,418 | 1,227 | 515 | 1,590 | **207,084** |
| Loss allowance | 485 | 31 | 43 | 150 | 354 | 1,051 | **2,116** |

| 31 December 2022 | Current | 1-30 days past due | 31-90 days past due | 91-180 days past due | 181-360 days past due | >360 days past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0.10% | 0.30% | 0.93% | 6.01% | 4.58% | 82.24% | **1.05%** |
| Gross carrying amount – trade receivables | 163,809 | 6,687 | 3,661 | 549 | 393 | 1,937 | **177,036** |
| Loss allowance | 156 | 20 | 34 | 33 | 18 | 1,593 | **1,854** |

# 23. Contract assets

**Accounting policy**

The Group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance), less allowances.

The Group has recognised the following assets related to the contracts with customers based on IFRS 15:

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Contract assets | 8,103 | 6,150 |

The amount of allowance for impairment is not material, therefore it is not presented.

# 24. Other current assets

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Loans given to employees | 307 | 308 |
| Other receivables | 14,096 | 21,128 |
| Tax and duties recoverable | 16,142 | 5,495 |
| Advances | 8,253 | 8,476 |
| Prepayments | 5,740 | 5,713 |
| **Total** | **44,538** | **41,120** |

The Group presents approved but not financially settled government grants amount of HUF 1,832 million due within 1 year, related to acquisition of property, plant and equipment and research and development activities (in 2022 it was HUF 2,243 million). Accounting principles of Government grants are described in Note 20.

# 25. Current financial assets at amortised cost

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | HUFm | HUFm |
| Loans given to related parties and other investments | 380 | 422 |
| Other loans given | 542 | 16,484 |
| Government securities, corporate bonds | 5,317 | 27,810 |
| **Total** | **6,239** | **44,716** |

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition, and reviews it in every year. Based on the management valuation, there are signs to make impairment for assets presented in AC model because of significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Group. The Group has three Russian financial instruments that are directly or indirectly affected. One of these is recorded at amortised cost as current asset. During the calculation of the expected credit loss (ECL), the Company applied the DCF model with market yield curve and "sanction" risk premium. The calculated ECL is the difference between the present value of the expected future cash-flows and book value at amortised cost. The difference was impaired in the P&L. There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage III. (significantly changed the probility of default in 2023), the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. In 2023 an impairment was booked in amount of HUF 689 million as a result of this the bond was impaired 100% (HUF 710 million).

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

# 26. Current financial assets at FVOCI

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | HUFm | HUFm |
| Government securities, corporate bonds | 1,454 | 1,536 |

The Group accounts for the government securities and corporate bonds at fair value through OCI model because the business model is hold to collect and sell and SPPI test is met.

Based on the management valuation, there are signs to make impairment for assets presented in FVOCI model because of significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Group. The Group has three Russian financial instruments that are directly or indirectly affected. One of these are recorded at other comprehensive income (OCI) as current financial asset. During the calculation of the expected credit loss (ECL), the Group applied the DCF model. No quoted market price was available for the debt instrument from the first quarter of 2023, in the absence of the limited observable input data, we used a DCF model with a market yield curve and calculated an ECL according to the "sanction" risk premium. The additional risk premium parts were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently delays in principal and coupon payments (more than 90 days), mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage III. (significantly changed the probility of default in 2023), the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. In 2023 an impairment was booked in amount of HUF 1,696 million as a result of this the bond was impaired 100% (HUF 1,723 million).

## 27. Current tax assets and liabilities

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Current tax assets | 1,689 | 4,844 |
| Current tax liabilities | (1,974) | (3,848) |

## 28. Cash and cash equivalents

**Accounting policy**
In the Consolidated Cash-Flow Statement Cash and cash equivalents comprise: cash in hand, bank deposits, and cash equivalents: in practice, they are securities that are used to settle short-term financial liabilities, and are not held for investment or other purposes, typically have an expiration date of up to 3 months from the date of purchase (e.g. debt securities). In the Consolidated Balance Sheet bank overdrafts are shown within “Borrowings” in current liabilities.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Bank deposits | 80,411 | 79,622 |
| Cash on hand | 82 | 97 |
| **Total** | **80,493** | **79,719** |

The total amount of Cash and cash equivalents at the balance sheet date was mainly (more than 60%) held by the Parent Company out of which major part is short-term demand deposit and bank deposit. It is denominated in EUR, USD, HUF and other currencies as disclosed in more details in Note 9.

**Reconciliation to Consolidated Cash-Flow Statement**

The above figures reconcile to the amount of cash shown in the statement of cash-flows at the end of the financial year as follows:

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Balances as above | 80,493 | 79,719 |
| Cash and cash equivalents of disposal groups classified as held for sale (Note 48) | (960) | 960 |
| **Balances per statement of cash-flows** | **79,533** | **80,679** |

## 29. Share capital and reserves

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| **Share capital** | Number | HUFm | Number | HUFm |
| Ordinary shares of HUF 100 each | 186,374,860 | 18,638 | 186,374,860 | 18,638 |

Detailed ownership structure of the Parent 31 December 2023:

| **Ordinary shares** | **Ownership** number | **Voting rights*** % | **Share capital** % |
|---|---|---|---|
| **Domestic ownership** | **61,831,855** | **33.75** | **33.18** |
| State ownership total | 126 | 0.00 | 0.00 |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 54,883,394 | 29.96 | 29.45 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.17 | 10.00 |
| out of which Mathias Corvinus Collegium Foundation (MCC) | 18,637,486 | 10.17 | 10.00 |
| out of which Foundation for National Health and Education of Medical Doctors | 9,777,658 | 5.34 | 5.25 |
| Retail investors | 6,948,335 | 3.79 | 3.73 |
| **International ownership** | **120,929,497** | **66.02** | **64.88** |
| Institutional investors | 120,585,433 | 65.83 | 64.70 |
| out of which FMR LLC | 9,457,941 | 5.16 | 5.07 |
| Retail investors | 344,064 | 0.19 | 0.18 |
| **Treasury shares and shares transferred to ESOT**** | **3,601,971** | **0.22** | **1.93** |
| **Undisclosed ownership** | **11,537** | **0.01** | **0.01** |
| **Share capital** | **186,374,860** | **100.00** | **100.00** |

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), have no voting rights.

Detailed ownership structure of the Parent 31 December 2022:

| **Ordinary shares** | **Ownership** number | **Voting rights*** % | **Share capital** % |
|---|---|---|---|
| **Domestic ownership** | **62,278,172** | **33.42** | **33.42** |
| State ownership total | 126 | 0.00 | 0.00 |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 54,918,917 | 29.47 | 29.47 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.00 | 10.00 |
| out of which Mathias Corvinus Collegium Foundation (MCC) | 18,637,486 | 10.00 | 10.00 |
| out of which Foundation for National Health and Education of Medical Doctors | 9,777,658 | 5.25 | 5.25 |
| Retail investors | 7,359,129 | 3.95 | 3.95 |
| **International ownership** | **123,657,438** | **66.35** | **66.34** |
| Institutional investors | 123,442,704 | 66.24 | 66.23 |
| out of which FMR LLC | 9,457,941 | 5.08 | 5.07 |
| Retail investors | 214,734 | 0.11 | 0.11 |
| **Treasury shares and shares transferred to ESOT**** | **428,650** | **0.22** | **0.23** |
| **Undisclosed ownership** | **10,600** | **0.01** | **0.01** |
| **Share capital** | **186,374,860** | **100.00** | **100.00** |

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares, except for the ones owned by Employee Share Ownership Trust's (ESOT), have no voting rights.

Data in the above table were compiled based on the share registry amended with information provided by KELER Zrt. as clearing company, global custodians and nominees.

The Group does not have any (ultimate) controlling party.

## Foreign currency translation reserves

Exchange differences related to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss, when the foreign operation is sold or partially sold.

Changes of foreign currency translation reserves are presented in the Consolidated Statement of Changes in Equity.

## Revaluation reserve for financial assets at FVOCI (based on IFRS 9)

When measuring financial assets measured at fair value through OCI (Note 18 and 26), the difference shall be recognized as Revaluation reserve for financial assets at FVOCI. It shall not be recycled to the Consolidated Income Statement subsequently.

| | **Revaluation reserves for financial assets at FVOCI**<br>HUFm |
|---|---|
| **At 1 January 2022** | **1,346** |
| Current year change in the fair value of derecognised equity instrument | (2,375) |
| Changes in fair value of debt instruments at FVOCI | (3,301) |
| Changes in the fair value of equity instruments at FVOCI | 928 |
| Reserve of derecognised debt instrument | 2,782 |
| Reserve of derecognised equity instrument | (127) |
| Deferred tax effect | 408 |
| **At 31 December 2022** | **(339)** |
| Changes in fair value of debt instruments at FVOCI | 149 |
| Changes in the fair value of equity instruments at FVOCI | 2,558 |
| Deferred tax effect | (369) |
| **At 31 December 2023** | **1,999** |

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

## Cash-flow hedge reserve

The Cash-flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash-flow hedges, as described in Note 11.
The effective portion is accounted at fair value on the balance sheet date. At the recognition of hedged items (royalty income/payments for natural gas and electricity) the accumulated result is reclassified from cash-flow hedge reserve to profit or loss (revenue/operating expenses). The subsequent financial exchange rate effects on the foreign exchange transaction are recognized in the unrealized financial result of the cash-flow hedging transaction until the transaction is closed, when it is reclassified to realized financial result. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in P&L. The maturity value of the commodity TTF swap transaction is entirely affected the operating expenses, except for the ineffective part, which is presented in the financial result.

| | **Foreign exchange and market price risk** HUFm |
|---|---|
| **At 1 January 2022** | (23) |
| Change in fair value of hedging instrument recognised in OCI | (8,432) |
| Reclassified from OCI to profit or loss - hedged item has affected profit or loss | 9,275 |
| *from this reclassified to operating profit or loss* | 9,180 |
| *from this reclassified to the realised finance loss* | 95 |
| **At 31 December 2022** | **820** |
| Change in fair value of hedging instrument recognised in OCI | 18,093 |
| Reclassified from OCI to profit or loss - hedged item has affected profit or loss | (12,367) |
| *from this reclassified to profit or loss* | (9,172) |
| *from this reclassified to the realised finance (gain)* | (3,195) |
| **At 31 December 2023** | **6,546** |

In 2023, an amount of HUF 6,546 million fair value difference was accumulated in Other comprehensive income, of which HUF 820 million was in 2022 and HUF 5,726 million in 2023. From this reserve, HUF 9,172 million was transferred to revenue and operating cost correction during the current financial year, and a gain of HUF 3,195 million to the unrealized and realized financial result at the time when the foreign in- and outflow cash was settled. The ineffective part related to natural gas hedging instruments (commodity swaps and forward currency transactions) was loss of HUF 277 million.

## Share-based payment presented within retained earnings

**Accounting policy**

*Equity settled share-based payments*

The Group is granting treasury shares to certain employees in its employee share bonus programs. These bonus programs are accounted for as equity-settled share-based payments and from year 2018 cash-settled share-based payments.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

*Cash-settled share-based payments*

The Group operates an Employee’s Share Ownership Programme (ESOP) that qualifies to be a cash-settled share-based payment. The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognised in the Consolidated Income Statement for the period.

Equity-settled employee benefits reserve is presented within Retained earnings. The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Details are set out in Note 30 Treasury shares.

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| Expense recognized in current year | 1,954 | 1,552 |
| Treasury share given (Note 30) | 1,940 | 2,065 |
| **Total changes in reserve presented in the Consolidated Statement of Changes in Equity** | **14** | **(513)** |

The cost of the cash-settled share-based payment program was HUF 1,632 million, while in 2022 it was HUF 1,478 million.

## 30. Treasury shares

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating three share-based payment programs, described below in more details.

Bonus program
Richter operates a bonus share program since 1996 to further incentivise managers and key employees of the Company. In 2017, the program was redesigned: the bonus for managers was paid in cash. As a result in 2023, 5,270 shares were granted to 178 key employees of the Company while in 2022 9,240 shares were granted to 255 employees.

Employee’s Share- Ownership Program (ESOP)
In order to strengthen the performance and loyalty of senior executives and senior employees, the Company started Employee’s Share- Ownership Programme (ESOP) in 2018.
The Company established the ESOP Organization and approved the ESOP Organization's Remuneration Policy for two years in 2023 and in 2022 as well. The total amount related to the Remuneration Policy was HUF 1.8 billion in 2023, and HUF 1.6 billion in 2022. Since management considers the amount not to be material in compared to the financial statements as whole, therefore further IFRS 2 disclosures are not presented.
Regarding each participant, the Company transferred a certain number of shares to the ESOP Organization, determined by the market value of the transferred shares and the determined amount of the remuneration. The shares cannot be disposed until the end of the evaluation period.
The benefit is only vested if the remuneration condition is met. Remuneration condition: the level of the unweighted average consolidated revenues realized in the measurement period shall exceed the consolidated revenues of the comparative period.

Staff Stock Bonus Plan
Pursuant to the program related to employee share bonuses (Staff Stock Bonus Plan 2023), the Company granted 256,596 treasury shares to 4,881 employees in 2023. The shares will be deposited on the employees’ security accounts with UniCredit Bank Hungary Ltd. until 2 January 2026 which means the end of vesting period. In 2022 281,392 shares were granted to 4,847 employees deposited on their accounts until 2 January 2025.

Share buy-back programme
On 4 April 2023, the Board of Directors of the Company, having considered shareholders’ expectations, decided on a 12-month share buyback programme of up to a cumulative maximum amount of HUF 40 billion as part of shareholder remuneration in addition to the proposed dividend as previously announced. The decision was taken in accordance with improving financial results and cash generation of the Company. The implementation of the share repurchase program commenced on 6 April 2023, with the involvement of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt. as investment companies. Within the share repurchase program the Company has purchased with the cooperation of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt in the Budapest Stock Exchange 3,339,591 treasury shares at an average price of 8,719 HUF/share (average price excluding fees) by 31 December 2023.

| **Treasury shares** | **2023** Numbers | **2022** Numbers |
|---|---|---|
| **at 1 January** | **428,650** | **535,233** |
| *Out of these, number of shares owned by subsidiaries* | *3,000* | *3,000* |
| Share purchase | 3,416,948 | 157,665 |
| Transferred as part of bonus program | (5,270) | (9,240) |
| Granted pursuant to employee share bonuses | (256,596) | (281,392) |
| Shares of the employees share bonus that have not vested | 18,239 | 26,384 |
| **at 31 December** | **3,601,971** | **428,650** |
| *Out of these, number of shares owned by subsidiaries* | *-* | *3,000* |

| **Book value** | **2023** HUFm | **2022** HUFm |
|---|---|---|
| **at 1 January** | **2,123** | **2,862** |
| Share purchase | 29,799 | 1,326 |
| Transferred as part of bonus program | (40) | (67) |
| Granted pursuant to employee share bonuses | (2,053) | (2,201) |
| Shares of the employees share bonus that have not vested | 153 | 203 |
| **at 31 December** | **29,982** | **2,123** |

# 31. Non-controlling interest

Accounting principles of Non-controlling interest are described more specifically in Note 2.

The total non-controlling interest as of 31 December 2023 is HUF 11,767 million (in 2022 HUF 10,446 million), of which HUF 8,985 million (in 2022 HUF 7,931 million) is for Richter-Helm BioLogics GmbH & Co. KG, HUF 1,778 million (in 2022 HUF 1,868 million) is attributed to Medimpex West Indies Ltd.. The impact of other owners of the remaining subsidiaries with non-controlling interests are insignificant on the Group.

Amounts of assets, liabilities, revenues, profit/loss and dividends are presented at 100%, before intercompany eliminations.

| **2023** | **Medimpex West-Indies Ltd. (12)** HUFm | **Richter-Helm BioLogics GmbH & Co. KG (22)** HUFm |
|---|---|---|
| Accumulated non-controlling interest | 1,778 | 8,985 |
| Non-current assets | 1,500 | 42,413 |
| Current assets | 3,255 | 21,665 |
| Non-current liabilities | 14 | 26,228 |
| Current liabilities | 648 | 8,528 |
| Revenues | 5,457 | 25,614 |
| Profit/(loss) | 574 | 4,608 |
| Dividends paid | 420 | - |
| Total cash-flow | (572) | (2,437) |

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

* Number indicates to line number of Note 31.1

In case of subsidiaries with material non-controlling interest Other comprehensive income is not material (see the Consolidated Statement of Changes in Equity), therefore not disclosed individually.

The non-controlling interest is recognised to the extent the risks and rewards of ownership of those shares remain with them. For each acquisition the terms of the contracts are analysed in detail. In case of complex scenarios (e.g when contingent-deferred purchase prices are also involved), factors considered includes, the pricing of the forward contract, any ability to avoid future payment, whether share price movements during the contract period result in benefits and losses being borne by the Group or by the non-controlling shareholder.

## 31.1 Consolidated companies

Details of the Group’s subsidiaries at 31 December are as follows:

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 2023 | 2022 | 2023 | 2022 | |
| 1 | AO Gedeon Richter - RUS | Russia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical manufacturing |
| 2 | Gedeon Richter Romania S. A. | Romania | 99.92 | 99.92 | 99.92 | 99.92 | Pharmaceutical manufacturing |
| 3 | Gedeon Richter Polska Sp. z o.o. | Poland | 99.86 | 99.84 | 99.86 | 99.84 | Pharmaceutical manufacturing, Marketing services |
| 4 | Richter Themis Medicare (India) Private Limited | India | 55.72 | 55.72 | 55.72 | 55.72 | Pharmaceutical manufacturing |
| 5 | Gedeon Richter Pharma GmbH | Germany | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 6 | Gedeon Richter USA Inc. | USA | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 7 | RG Befektetéskezelő Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Financial-accounting and controlling activities |
| 8 | Gedeon Richter UA PAT | Ukraine | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 9 | Gedeon Richter UK Ltd. | UK | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 10 | Gedeon Richter Iberica S.A.U. | Spain | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 11 | Medimpex Jamaica Ltd. | Jamaica | 60.00 | 60.00 | 60.00 | 60.00 | Pharmaceutical trading |
| 12 | Medimpex West Indies Ltd. | Jamaica | 60.00 | 60.00 | 60.00 | 60.00 | Pharmaceutical trading |
| 13 | Humanco Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Social, welfare services |
| 14 | Pesti Sas Holding Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Portfolio management |
| 15 | Richter Szolgáltató Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Catering services |
| 16 | Reflex Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Transportation, carriage |
| 17 | Chemitechnik Pharma Kft. | Hungary | 66.67 | 66.67 | 66.67 | 66.67 | Engineering services |
| 18 | GYEL Kft. | Hungary | 66.00 | 66.00 | 66.00 | 66.00 | Quality control services |
| 19 | Armedica Trading S.R.L. | Romania | 99.92 | 99.92 | 99.92 | 99.92 | Portfolio management |
| 20 | Gedeon Richter Farmacia S.A.(1) | Romania | - | 99.92 | - | 99.92 | Pharmaceutical retail |
| 21 | Gedeon Richter France S.A.S. | France | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 22 | Richter-Helm BioLogics GmbH & Co. KG | Germany | 70.00 | 70.00 | 70.00 | 70.00 | Biotechnological manufacturing and research |
| 23 | Richter-Helm BioLogics Management GmbH | Germany | 70.00 | 70.00 | 70.00 | 70.00 | Asset management |
| 24 | Medimpex UK Ltd. | UK | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 25 | Farnham Laboratories Ltd.(2) | UK | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 26 | Gedeon Richter Aptyeka SP OOO | Armenia | 51.00 | 51.00 | 51.00 | 51.00 | Pharmaceutical trading |
| 27 | Pharmafarm S.A.(1) | Romania | - | 99.92 | - | 99.92 | Pharmaceutical wholesale |
| 28 | LLC Gedeon Richter Ukraine | Ukraine | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical retail |

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 2023 | 2022 | 2023 | 2022 | |
| 29 | Gedeon Richter Italia S.R.L. | Italy | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 30 | Gedeon Richter Marketing ČR s.r.o. | Czech Republic | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 31 | Gedeon Richter Slovakia s.r.o. | Slovak Republic | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 32 | Richter-Lambron SP OOO | Armenia | 51.00 | 51.00 | 51.00 | 51.00 | Pharmaceutical trading |
| 33 | Gedeon Richter Austria GmbH | Austria | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 34 | Gedeon Richter (Schweiz) AG | Switzerland | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 35 | Gedeon Richter Portugal S.A. | Portugal | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 36 | PregLem France SAS | France | 100.00 | 100.00 | 100.00 | 100.00 | Management services |
| 37 | Gedeon Richter, trzenje, d.o.o. | Slovenia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 38 | Gedeon Richter Benelux | Belgium | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 39 | Gedeon Richter Nordics AB | Sweden | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 40 | Gedeon Richter KZ LLP | Kazakhstan | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 41 | GRmed Company Ltd. (Hongkong) | Hong-Kong | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services, distribution |
| 42 | Gedeon Richter Pharmaceutical (China) Co. Ltd. | China | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 43 | Gedeon Richter Colombia S.A.S. | Columbia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 44 | Gedeon Richter Croatia d.o.o. | Croatia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 45 | Gedeon Richter Mexico, S.A.P.I. de C.V | Mexico | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 46 | Gedeon Richter do Brasil Importadora, Exportadora e Distribuidora S.A. | Brazil | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 47 | Gedeon Richter Chile SpA | Chile | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 48 | Mediplus (Economic Zone) N.V. | Curaçao | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 49 | Gedeon Richter Peru S.A.C. | Peru | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 50 | GEDEONRICHTER Ecuador S.A. | Ecuador | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 51 | Gedeon Richter Bolivia SRL | Bolivia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 52 | Gedeon Richter Australia PTY Ltd. | Australia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 53 | Finox AG | Switzerland | 100.00 | 100.00 | 100.00 | 100.00 | Biotechnological services |
| 54 | Finox Biotech AG | Lichtenstein | 100.00 | 100.00 | 100.00 | 100.00 | Biotechnological services |
| 55 | Finox Biotech Germany GmbH | Germany | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 56 | Gedeon Richter Ireland Ltd. | Ireland | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 57 | Gedeon Richter Bulgaria eood | Bulgaria | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 58 | Gedeon Richter Farma O.O.O | Russia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 59 | Forhercare Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical retail |
| 60 | Gedeon Richter Vietnam Ltd | Vietnam | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 61 | SHE Healthcare Company Ltd | Hong-Kong | 100.00 | 100.00 | 51.00 | 51.00 | Pharmaceutical trading, Marketing services |

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 2023 | 2022 | 2023 | 2022 | |
| 62 | SHE Healthcare (Shanghai) Company Limited | China | 100.00 | 100.00 | 51.00 | 51.00 | Pharmaceutical trading, Marketing services |
| 63 | Farmage Dominicana S.R.L. | Dominican Republic | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |

(1) Romanian wholesale and retail companies were sold in the second quarter of 2023.
(2) The company's principal activity has been suspended.

**Subsidiaries newly included in the consolidation**

| | Name | Date of establishment/ acquisition | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 | |
| 64 | OC Distributors Ltd. | 02 2023 | Ireland | 100.00 | - | 100.00 | - | Marketing services |
| 64 | Giskit B.V. | 07 2023 | The Netherlands | 100.00 | - | 100.00 | - | Sales and marketing of medical equipment |

## 32. Non-current financial liabilities at FVTPL

**Accounting policy**
The Group may hold a variety of derivative financial instruments to manage its interest rate and foreign currency risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps and options.
Derivatives are initially recognized at fair value at the inception of the contract and are remeasured to fair value at the end of each reporting period.

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

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Debt on issue of bonds | 52,615 | 39,843 |
| Other financial liabilities at FVTPL | 1,852 | 1,673 |
| **Total** | **54,467** | **41,516** |

**Debt on issue of bonds**
On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The "RICHTER 2031 HUF Bonds" (short name: RICHTER31) were issued with following terms:
- Total face value: HUF 70,000 million
- Maturity: 10 years
- Repayment schedule of the principal: 10-10-10% in 2028, 2029 and 2030, 70% at maturity in 2031
- Coupon amount: 1.75% per annum
- Settlement date of interest and principal: 4th June respectively.

Financial liability derived from the issuance of bonds was initially recognised at fair value (HUF 63,213 million) that amount was calculated based on the price offered by independent market participants on the closed auction. The amount of premium received at issuance (HUF 7,060 million) is presented among Other non-current liabilities and accruals in the Consolidated Balance Sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond.

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 11.

The balance of debt on issue of bonds was HUF 53,840 million on 31 December 2023 of which HUF 1,225 million was transferred to Current liabilities at FVTPL (can be found in Note 39). In 2023, the Company paid HUF 1,225 million interest (HUF 1,225 million in 2022).

The fair value of the financial liability derived from the issuance of bonds was classified as Level 2 because of the lack of an active market. The Company used the discounted cash-flow method to determine the fair value of the liability and discounted the cash-flows from payments of interest and principal. The discount rate was calculated based on the relevant zero-coupon rates as at the date of valuation and considered a margin between the commercial bank offers at the auction and the yield of the government bonds.

**Other non-current financial liabilities at FVTPL**
Other financial liabilities at FVTPL contains the fair value of IFRS 2 Share-based payments in amount of HUF 2,314 million, of which HUF 827 million is a long-term liability and HUF 1,487 million is a short-term liability (see note 39).



## 33. Lease liability

**Accounting policy**
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group applies comparative pricing method for calculating interest rate. The reference interest rate is determined based on public data related to the specific market taking into consideration the amount, currency, maturity date of the transaction, the borrower's business sector and the purpose of the financing.

Depreciation is allocated between cost of sales, operating expenses. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*Exemptions*
Contracts may contain both lease and non-lease components. The Group applies the practical expedient and does not separate non-lease components from lease components and accounts for any lease components and associated non-lease components as a single lease component.
Payments associated with short-term leases for all assets and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets (that the underlying assets, when new, are individually low value that is under HUF 1.5 million) comprise IT and office equipment.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Lease liability (long-term) | 13,817 | 10,789 |
| Lease liability (short-term) | 4,428 | 4,437 |
| **Total** | **18,245** | **15,226** |

In 2023 and in 2022 the Group leases various offices, warehouses, land, parking places, energy systems, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 11 months to 95 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

The Consolidated Income Statement includes HUF 1,797 million expenses from short-term, low-value and variable lease payments (in 2022 it was HUF 1,459 million).

# 34. Other non-current liabilities and accruals

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

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Government grants - deferred income | 8,106 | 6,873 |
| Government grants - prepayments received | 1,302 | 1,560 |
| Premium of Bond Funding for Growth Scheme | 4,458 | 5,197 |
| Other non-current liabilities 3rd parties | - | 4 |
| **Total** | **13,866** | **13,634** |

Government grants relate to property, plant and equipment and research and development activities.

The amount of premium received at bond issuance is presented among Other non-current liabilities and accruals in the Consolidated Balance Sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond. For detailed information please see Note 32.

# 35. Provisions

**Accounting policy**

Provisions should be made for:

- sanctions and remediation costs related to environmental damage, which will lead to outflow of resources representing economic benefits regardless of the Group's future actions. The Group is exposed to environmental liabilities related to its past operations and purchases of property, mainly in respect of soil and groundwater remediation costs.
- the expected liabilities in respect of non-closed litigation cases, if it is probable that the Group will have a payment obligation as a result of the decision
- as a guarantee and guarantee commitment if the amount of the expected payment can be estimated from previous practice
- long-term defined (retirement) benefit plans
- for other long-term employee benefits (jubilee bonus)
- reorganization costs if the general conditions for provisioning are met
- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

*Pension program and other long-term employee benefits*

The Group operates a post-employment benefit program. Beside the Parent Company some subsidiaries pay benefits to retiring employees according to their Collective Agreements as defined benefit. As an additional benefit, these companies financially reward the employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end of the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

*Defined benefit pension plan*

The Group operates a post-employment defined benefit program, which is presented as Provision in the Consolidated Balance Sheet. In line with IAS 19 for post-employment retirement benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method) and valued at present value by using actuarial discount rate. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged to the Retained Earnings (presented on Other Comprehensive Income as item that is not reclassified later in profit and loss).

*Defined contribution plans*
For defined contribution plans the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

*Termination benefit*
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Short-term provisions | 2,961 | 2,153 |
| Long-term provisions* | 6,559 | 5,079 |
| *from this defined retirement benefit plans at the Parent* | *3,873* | *2,835* |
| *from this defined retirement benefit plans at GR Polska* | *1,235* | *1,071* |
| *from this defined retirement benefit plans at GR Schweiz* | *162* | *160* |
| *from this defined retirement benefit plans at GR Ecuador* | *51* | *47* |
| *from this defined retirement benefit plans at GR Mexico* | *264* | *204* |
| *from this defined retirement benefit plans at GR Bulgaria* | *17* | *11* |
| **Total** | **9,520** | **7,232** |

* The balance of long-term provisions contains jubilee and similar long-term benefits and asset retirement obligation.

From the defined benefit plans of the Group, it is considered that only the pension plan operated by the Parent Company is significant, therefore further disclosures are provided only related to that. Since the plan is operated in Hungary the benefits and the disclosures below are determined in Hungarian Forint.

**Defined retirement benefit plans at the Parent**

**Actuarial valuation related to retirement benefit plans**

According to the Collective Agreement of Gedeon Richter Plc., if the Employee is eligible for an old-age pension or disability care and his/her employment is being terminated for that reason by either parties unilaterally or by mutual consent, or the Employee retire in the end of a fix-term employment contract, the Employer may provide

a) 1 month's absentee pay after an uninterrupted employment relationship of at least 15 years at the Employer
b) 2 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 30 years at the Employer
c) 3 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 35 years at the Employer
d) 4 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 40 years at the Employer

in addition to his/her other emoluments, if the following exclusion does not arise.

As a prior obligatory condition of payment, the Employee shall not engage in any misconduct which may lead to the immediate termination of his/her employment, until the closing of the employment.

For renumerations defined in subsections b)-d) above, the Employee is entitled to an additional absentee pay equal to 45 calendar days, except if the Employee is exempted from work for a longer period.

Provided that the exemption period is longer than 45 days, the entitlement period for the absentee pay (for the "uninterrupted employment relationship at the Employer") determined at subpoints a)-d) shall be reduced by the amount exceeding the 45 days of the exemption period.

**The valuation method**

In line with IAS 19, defined benefit obligation was calculated by using Projected Unit Credit Method. The estimated amount of the benefit shall be accounted in equal amounts for each period until the maturity date (straight line method) and valued at present value by using actuarial discount rate.

Any reasonable change in the key assumptions is not expected to result in a significant change in the value of provision therefore a detailed sensitivity analysis is not required for the variables of the valuation model.

The calculation is applied for all employees employed at the balance sheet date.

| | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---:|---:|
| Opening value of retirement benefit | 2,835 | 3,824 |
| Interest costs (charged to the P&L) | 355 | 122 |
| Current service costs (charged to the P&L) | 141 | 197 |
| Settlement | (173) | (202) |
| Actuarial loss/(gain) (charged to the OCI) | 715 | (1,106) |
| **Retirement benefit liability** | **3,873** | **2,835** |

**The principal actuarial assumptions were as follows:**

The increase in the amount of the underlying benefit reflected long-term risk-free rates.

**Discount rate**

The discount calculation is made "on the basis of available high-quality corporate bonds or, in the absence thereof, of government securities in the given market."

The applied discount curve was determined on the basis of the reference yields of Hungarian government securities using a Nelson-Siegel curve fitting, based on the market yields at the end of 2023 and 2022.

| Year | Discount rate | Year | Discount rate | Year | Discount rate | Year | Discount rate | Year | Discount rate |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 6.24% | 11 | 5.90% | 21 | 6.15% | 31 | 6.38% | 41 | 6.53% |
| 2 | 6.12% | 12 | 5.92% | 22 | 6.18% | 32 | 6.40% | 42 | 6.54% |
| 3 | 6.04% | 13 | 5.94% | 23 | 6.21% | 33 | 6.42% | 43 | 6.55% |
| 4 | 5.97% | 14 | 5.97% | 24 | 6.23% | 34 | 6.43% | 44 | 6.57% |
| 5 | 5.93% | 15 | 5.99% | 25 | 6.25% | 35 | 6.45% | 45 | 6.58% |
| 6 | 5.90% | 16 | 6.02% | 26 | 6.28% | 36 | 6.46% | 46 | 6.59% |
| 7 | 5.88% | 17 | 6.05% | 27 | 6.30% | 37 | 6.48% | 47 | 6.60% |
| 8 | 5.88% | 18 | 6.07% | 28 | 6.32% | 38 | 6.49% | 48 | 6.61% |
| 9 | 5.88% | 19 | 6.10% | 29 | 6.34% | 39 | 6.51% | 49 | 6.61% |
| 10 | 5.89% | 20 | 6.13% | 30 | 6.36% | 40 | 6.52% | 50 | 6.62% |

**Distribution of probability of resigning in terms of the age of employees and the duration of their employment**

The exit rates used were determined by analyzing the historical data of the Company.

Annual average rate of fluctuation used in the calculation for 2023 and 2022:

| Age | Annual average rate of fluctuation | |
|---|---|---|
| | **2023** | **2022** |
| 0-25 | 12.8% | 11.8% |
| 26-30 | 11.6% | 10.9% |
| 31-35 | 9.2% | 8.9% |
| 36-40 | 8.3% | 8.0% |
| 41-45 | 7.1% | 6.5% |
| 46-50 | 5.7% | 5.0% |
| 51-55 | 4.7% | 4.2% |
| 56-60 | 3.9% | 3.5% |
| 61- | 3.9% | 3.4% |

**Sensitivity analyses**

The following sensitivity analyses have been carried out in conjunction with employee benefits:

- Shifting the discount curve by -50 basis points (-0.5%)
- Shifting the discount curve by 50 basis points (+0.5%)
- 50 basis points lower inflation rate (-0.5%)
- 50 basis points higher inflation and index rate (+0.5%)
- 25% decline in annual resignation rates (-25%)
- 25% increase in annual resignation rates (+25%)
- For mortality rates, value calculated without the 50% selection factor (population mortality data)

| | Sensitivity | Retirement benefit liability | Change (%) |
|---|---|---|---|
| **Value of liability** | | **3,873** | |
| Reduced discount curve | -0.50% | 4,072 | 5% |
| Increased discount curve | 0.50% | 3,689 | -5% |
| Lower inflation rate | -0.50% | 3,688 | -5% |
| Higher inflation and index rate | 0.50% | 4,092 | 6% |
| Reduced rate of fluctuation | 75% | 5,047 | 30% |
| Increased rate of fluctuation | 125% | 3,086 | -20% |
| Mortality data | 100% | 3,639 | -6% |

A 50 basis point shift in the discount curve results in a 5% higher or 5% lower liability value. A 50 basis point decrease in wage inflation results in a 5% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 6% increase in the provision with all other assumptions held constant.
The model is sensitive to the value of the resignation rate, as illustrated by the fact that a reduction in the rates to 75% results in a 30% increase in the liability, while an increase in the rates to 125% results in an 20% decrease in the year-end value of provisions.
In addition, using population mortality data instead of applying a 50% selection factor would result in a 6% lower provision value.

# 36. Borrowings

**Accounting policy**
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Borrowings (long-term) | 182 | - |

The Group has long-term borrowings, arbitrage and short-term financing transactions.

# 37. Trade payables

**Accounting policy**
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Trade payables (3rd parties) | 51,037 | 45,739 |
| Amount due to related companies and other investments | 264 | 353 |
| **Total** | **51,301** | **46,092** |

# 38. Contract liabilities

**Accounting policy**
If a customer pays consideration or an entity has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made, or the payment is due. A contract liability is an obligation of the Group to transfer goods and services to a customer for which the entity has received consideration from the customer.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Contract liabilities | 2,347 | 1,931 |

# 39. Current financial liabilities at FVTPL

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Debt on issue of bonds | 1,225 | 1,225 |
| Other current financial assets at FVTPL | 1,497 | 1,630 |
| **Total** | **2,722** | **2,855** |

The Group recognises the coupon payment of „RICHTER31" bond, that is due in 2023 as a current liability at fair value in amount of HUF 1,225 million. The applied accounting policy and measurement method can be found in Note 32 „Debt on issue of bonds".
Other current financial liabilities at FVTPL contains the fair value of IFRS 2 Share-based payments in amount of HUF 1,487 million.

# 40. Other current liabilities and accruals

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Short-term accruals | 19,854 | 19,557 |
| Premium of Bond Funding for Growth Scheme | 740 | 730 |
| Other current liabilities | 9,041 | 5,351 |
| Dividend payable | 176 | 168 |
| Wages and payroll taxes payable | 12,309 | 7,941 |
| Other taxes | 1,911 | 29,552 |
| Deposits from customers | 3,809 | 1,062 |
| **Total** | **47,840** | **64,361** |

Hungarian Government decided on 23 December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as an other tax liabilities in 2022. This amount is HUF 399 million higher in 2023. The items were settled financially in 2023 regarding the obligation for 2023 and the advance payment for 2023.

# 41. Net cash position

Net cash position was previously presented of cash and cash equivalents and lease liability. Due to the debt on issue of bond the net cash position consists of all relevant financial asset and financial liabilities related to this transaction.

| **Net cash** | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Cash and cash equivalents | 80,493 | 79,719 |
| Cash and cash equivalents of disposal groups classified as held for sale (Note 48) | (960) | 960 |
| Non-current financial assets at FVTPL | 59,082 | 45,983 |
| Derivative financial assets (interest rate swap) | 11,836 | 27,909 |
| Debt on issue of bonds | (53,840) | (41,068) |
| Derivative financial liabilities (interest rate swap) | (11,354) | (25,484) |
| Borrowings | (182) | - |
| Lease liability | (18,245) | (15,226) |
| **Total** | **66,830** | **72,793** |

| | **Other assets** | **Liabilities from financing activities** | | | | | **Total** |
|---|---|---|---|---|---|---|---|
| | Cash/bank overdraft | Non-current financial assets carried at fair value through profit or loss | Derivative financial assets (interest rate swap) | Borrowings, Repo, Debt on issue of bonds | Derivative financial liabilities (interest rate swap) | Lease liability | |
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Net cash as at 1 January 2022** | **59,856** | **61,887** | **9,012** | **(55,693)** | **(8,476)** | **(17,317)** | **49,269** |
| Changes from financing cash-flow | 19,191 | - | - | - | - | 4,852 | **24,043** |
| Debt on issue of bonds, Repurchase Agreement (Repo)-borrowings | - | - | - | (178,487) | - | - | **(178,487)** |
| Debt on issue of bonds, Repurchase Agreement (Repo)-payments | - | - | - | 178,487 | - | - | **178,487** |
| New lease liability | - | - | - | - | - | (2,771) | **(2,771)** |
| Effect of foreign exchange changes | 1,632 | - | - | - | - | 10 | **1,642** |
| Other non-cash movements | - | (15,904) | 18,897 | 14,625 | (17,008) | - | **610** |
| **Net cash as at 31 December 2022** | **80,679** | **45,983** | **27,909** | **(41,068)** | **(25,484)** | **(15,226)** | **72,793** |
| Changes from financing cash-flow | (140) | - | - | - | - | 2,142 | **2,002** |
| Debt on issue of bonds, Repurchase Agreement (Repo)-borrowings | - | - | - | (35,748) | - | - | **(35,748)** |
| Debt on issue of bonds, Repurchase Agreement (Repo)-payments | - | - | - | 35,748 | - | - | **35,748** |
| Borrowings | - | - | - | (182) | - | - | **(182)** |
| New lease liability | - | - | - | - | - | (5,200) | **(5,200)** |
| Effect of foreign exchange changes | (46) | - | - | - | - | 39 | **(7)** |
| Other non-cash movements | - | 13,099 | (16,073) | (12,772) | 14,130 | - | **(1,616)** |
| Cash and cash equivalents of disposal groups classified as held for sale (Note 48) | (960) | - | - | - | - | - | **(960)** |
| **Net cash as at 31 December 2023** | **79,533** | **59,082** | **11,836** | **(54,022)** | **(11,354)** | **(18,245)** | **66,830** |

# 42. Dividend on ordinary shares

**Accounting policy**
Dividend distribution to the Company's shareholders is recognised as a liability and debited against equity (retained earnings) in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company.

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Dividend on ordinary shares | 72,686 | 41,934 |

A dividend of HUF 390 per share (HUF 72,686 million) was declared in respect of the 2022 results, approved at the Company's Annual General Meeting on 25 April 2023 and paid during the year.

# 43. Agreed capital commitments and expenses related to investments

Data are presented for the Parent Company and the Russian subsidiary since they have the most significant capital expenditure in the Group.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Contractual capital commitments of Parent | 18,612 | 10,711 |
| Contractual capital commitments of AO Gedeon Richter -RUS | 205 | 108 |

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

# 44. Guarantees provided by the Group

The Group has not provided directly any guarantees to third parties. Guarantees provided by banks on behalf of the Group are presented in Note 9.

# 45. Employee information

| | **2023** | **2022** |
|---|---|---|
| Average number of people employed during the year | 11,901 | 12,180 |

# 46. Social security and pension schemes

The Group has provided in relation to the employees in Hungary social contribution tax amounting to 13% of gross salaries which is paid during 2023 to the National Tax and Customs Administration by the Group. The Group has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of each country.

The Parent Company contributes 6% of the monthly gross wages (maximum 50% of the current minimum wage) for those employees who decided to participate in the voluntary pension fund. In addition, one-off contribution is made in respect of employees who are reaching the age limit of 55, 57, 59, 61, 63, 65 years in the amount of HUF 50,000. The total cost of the contributions made by the Parent Company was HUF 2,357 million in 2023 (in 2022 HUF 2,044 million).

Pension contribution paid by Hungary based subsidiaries in respect of their employees amounted to HUF 68 million in 2023 and HUF 53 million in 2022.

Foreign subsidiaries pay contributions to various pension funds in respect of their employees which amounted to HUF 672 million and HUF 509 million in 2023 and 2022, respectively.

The pension contribution paid by the Company and described above are considered as Defined Contribution Plan.

None of the subsidiaries of the Group operate any similar pension schemes.

# 47. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

## 47.1 Related parties

The Group has not provided any loans to its key management personnel.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---:|---:|
| Loans to joint ventures | - | 75 |
| Impairment on loans provided to joint ventures (in the balance sheet) | - | (1) |
| Impairment on loans provided to joint ventures (in the profit and loss) | - | (1) |
| Loans to associated companies | 158 | 158 |
| Impairment on loans provided to associates (in the balance sheet) | (158) | (158) |
| Convertible promissory note to associates | - | 1,664 |
| Impairment on convertible promissory note to associates (in the balance sheet) | - | 1,664 |
| Trade receivables (associates) | 4,052 | 3,415 |
| Trade payables (associates) | (8) | (13) |
| Revenue from joint ventures | 141 | 123 |
| Revenue from associates | 21,468 | 18,933 |

The loans are in Hungarian Forint, all of them are short-term as at 31 December 2023.

Revenues from related parties almost exclusively represents sale of pharmaceutical products. The Group has no open trading commitments with related parties as of 31 December 2023.

According to the Memorandum of Understanding signed on 24 September 2010 with Helm AG, Richter has financing obligations related to costs of projects managed by Richter-Helm BioTec GmbH & Co. KG (joint ventures). In accordance with the request of the management, this funding is provided in the form of capital contribution and the company records these liabilities separately by owners. In 2023 the revenues of the company exceeded the development costs incurred; therefore no further capital contribution payment was required in the financial period.

All related-party transactions were made on an arm's length basis.

### 47.2 Remuneration of the Board of Directors and the Supervisory Board

| | Short-term benefits - Allowance | |
|---|---|---|
| | **2023** HUFm | **2022** HUFm |
| Board of Directors | 110 | 104 |
| Supervisory Board | 43 | 36 |
| **Total** | **153** | **140** |

### 47.3 Key management compensation

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Salaries and other short-term employee benefits | 2,146 | 2,113 |
| Share-based payments | 717 | 874 |
| **Total short-term compensation** | **2,863** | **2,987** |
| Pension contribution paid by the employer | 262 | 275 |
| **Total** | **3,125** | **3,262** |

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

The table above contains the compensation received by the chief executive officer, directors and other senior members of management, considered as Key management, constituting 57 people.
There were no redundancy payments to key management members neither in 2023 nor in 2022.

## 48. Assets and disposal groups classified as held for sale and related liabilities

### 48.1 Description

In 2022 Richter's indirect Romanian subsidiary, Armedica Trading S.R.L has signed a share sale and purchase agreement to divest the Richter Group's Romanian wholesale and retail operations (Pharmafarm S.A. and Gedeon Richter Farmacia S.A., respectively) to Mediplus Exim S.R.L, a Romanian subsidiary of A&D Pharma, both being members of Dr.Max Group. The transactions were approved by the Romanian competition authority on 9 May 2023. The deal was completed on 15 May 2023, by the transfer of shares of Pharmafarm S.A. and Gedeon Richter Farmacia S.A. companies.

Following the share transfer in May, the subsidiaries were reported in the current period as disposal of subsidiary. Financial information relating to the disposal for the period to the date of the sale is set out below.

## 48.2 Details of the sale of the subsidiaries

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Consideration received or receivable | | |
| Cash | 13,841 | - |
| Carrying amount of net assets sold | (5,156) | - |
| **Gain on sale before income tax and reclassification of foreign currency translation reserve** | **8,685** | **-** |
| Reclassification of foreign currency translation reserve | 2,374 | - |
| Unrealised profit elimination (on Inventories) | 458 | - |
| Settlement of Non-controlling interest | (81) | - |
| **Gain on sale of investment** | **11,436** | **-** |

The carrying amounts of assets and liabilities as at the date of sale (15 May 2023) were:

| | **15 May 2023** HUFm |
|---|---|
| Property, plant and equipment | 3,124 |
| Investment property | 89 |
| Goodwill | 1,031 |
| Other intangible assets | 3,328 |
| Inventories | 9,003 |
| Trade receivables | 34,462 |
| Other current assets | 293 |
| Cash and cash equivalents | 4,167 |
| **Total assets** | **55,497** |
| | |
| Non-controlling interest | 18 |
| Deferred tax liability | (288) |
| Borrowings | (7,148) |
| Lease liability (long and short-term) | (1,921) |
| Trade payables | (39,924) |
| Other current liabilities and accruals | (865) |
| Provisions | (213) |
| **Total liabilities** | **(50,341)** |
| **Net assets** | **5,156** |

## 48.3 Assets and liabilities of sold group classified as held for sale

The following assets and liabilities were classified as Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale as at 31 December 2022:

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Property, plant and equipment | - | 3,497 |
| Investment property | - | 100 |
| Goodwill | - | 1,116 |
| Other intangible assets | - | 3,622 |
| Inventories | - | 10,513 |
| Trade receivables | - | 47,032 |
| Other current assets | - | 174 |
| Cash and cash equivalents | - | 960 |
| **Assets classified as held for sale** | **-** | **67,014** |
| | | |
| Deferred tax liability | - | 311 |
| Lease liability | - | 2,007 |
| Trade payables | - | 44,940 |
| Other current liabilities and accruals | - | 1,276 |
| Provisions | - | 510 |
| **Liabilities directly associated with assets classified as held for sale** | **-** | **49,044** |

# 49. Business combination

**OC Distributors Ltd.**

In February 2023 Richter announced that it has acquired from shareholders of Consilient Health 100% control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. The agreement means a meaningful expansion to sales levels achieved in the UK and Ireland by Richter's unique OC franchise.

Total consideration paid in cash was GBP 32.5 million. No contingent consideration had been stated in the agreement.

Acquisition-related costs of HUF 143 million that were not directly attributable to the acquisition of the shares are included in administrative expenses in the statement of profit or loss and in operating cash-flows in the Consolidated Cash-Flow Statement.

The transaction had been identified as asset acquisition, based on an asset concentration test.

**Giskit MD B.V.**

On 20 July, 2023 Gedeon Richter Plc. and IQ Medical Ventures B.V. announced that they signed a Share Purchase Agreement to transfer 100% of the Giskit MD B.V. shares to Richter from Giskit Holding B.V., the affiliate of IQ Medical. Giskit MD B.V. is the owner of ExEm Foam® and Gis-Kit assets and patent rights globally, excluding the US, China and South Korea (where they are pharma products). Both Women's Health Care products are used in more patient-friendly ultrasound examinations, ExEm® Foam for the examination of the fallopian tubes and Gis-Kit for the examination of the uterine cavity. They have been successfully commercialised for several years in more than 40 countries globally.

Giskit MD B.V. was valued at EUR 30.4 million by the parties, payable upon signing of the agreement.

| | Carrying value HUFm | Fair value HUFm |
|---|---|---|
| **Total consideration paid in cash** | **11,420** | **-** |
| Property, plant and equipment | 25 | 25 |
| Long-term receivables | 9 | 9 |
| Inventories | 199 | 399 |
| Trade receivables | 270 | 270 |
| Current financial assets measured at amortised cost | 3 | 3 |
| Cash and cash equivalents | 154 | 154 |
| Trade payables | (130) | (130) |
| Other payables and accruals | (74) | (74) |
| Other intangible asset - GisKit | - | 10,764 |
| **Net asset acquired** | **456** | **11,420** |

The transaction had been identified as asset acquisition, based on an asset concentration test.

Acquisition-related costs of HUF 80 million that were not directly attributable to the acquisition of the shares are included in administrative expenses in the Consolidated Income Statement and in operating cash-flows in the Consolidated Cash-Flow Statement.

The acquired business contributed revenues of HUF 892 million and net profit of HUF 521 million to the Group for the period from 1 August to 31 December 2023.

If the acquisition had occurred on 1 January 2023, consolidated pro-forma revenue and profit for the year ended 31 December 2023 would have been HUF 1,787 million and HUF 678 million respectively. These amounts have been calculated using the subsidiary's results.

## 50. Effect of changes in accounting policy

On 1 January 2023 the European Union adopted the amendments to IAS 12 which narrowed the cases to which the initial recognition exemption applies. Since the Group accounted for investment tax credits under this method in the past, it reviewed the relevant accounting policies and opted for changing it.

The IFRSs do not provide for clear guidance regarding the treatment of investment tax credits, therefore IFRS practitioners have an accounting policy choice. Prior to the financial year of 2023, the Group used option of analogy of initial recognition exemption in accordance with IAS 12.24 and did not recognise a deferred tax asset in connection with these tax credits. As a result of the change of accounting policy, the analogy of tax credits described in IAS 12 34-36. are used for the accounting of investment tax credits. Accordingly, deferred tax assets related to investment tax credits are recognised in the amount at which it is probable that taxable profits will be available in future periods.

The voluntary change of accounting policy shall be implemented and presented retrospectively according to the guidelines of IAS 8.19.

The Group has originally presented all of the deferred tax assets, that were recoverable as of 31 December 2021. A change in accounting policy providing for more potential deferred tax would not affect the deferred tax asset recognized in the balance sheet as of that date, due to the lack of expected recoverability. Since the restatement did not affect the opening figures of the comparative information, therefore the Company does not present this balance sheet column.

The change in the accounting policy was implemented retroactively, by correcting the relevant reporting lines.

## Change of Consolidated Income Statement

| Consolidated Income Statement (extract) | 2022 Originally presented HUFm | Change HUFm | 2022 Restated HUFm |
|---|---|---|---|
| **Profit before income tax** | **165,663** | **-** | **165,663** |
| Income tax | (8,408) | 13,495 | 5,807 |
| **Profit for the year** | **157,255** | **13,495** | **170,750** |
| **Consolidated Earnings per share (HUF)** | | | |
| Basic and diluted | 835 | 72 | 907 |

| Consolidated Statement of Comprehensive Income (extract) | 2022 Originally presented HUFm | Change HUFm | 2022 Restated HUFm |
|---|---|---|---|
| **Profit for the year** | **157,255** | **13,495** | **170,750** |
| Other comprehensive income for the year | 21,995 | - | 21,995 |
| **Total comprehensive income for the year** | **179,250** | **13,495** | **192,745** |

## Change of Consolidated Balance Sheet

| Consolidated Balance Sheet – Assets (extract) | 2022 Originally presented HUFm | Change HUFm | 2022 Restated HUFm |
|---|---|---|---|
| Deferred tax assets | 15,878 | 13,495 | 29,373 |
| **Non-current assets** | **764,519** | **13,495** | **778,014** |
| **Total assets** | **1,340,289** | **13,495** | **1,353,784** |

| Consolidated Balance Sheet – Equity and liabilities (extract) | | | |
|---|---|---|---|
| Retained earnings | 966,375 | 13,495 | 979,870 |
| **Capital and reserves** | **1,060,352** | **13,495** | **1,073,847** |
| **Total equity and liabilities** | **1,340,289** | **13,495** | **1,353,784** |

# 51. Notable events in 2023

In 2023, Richter's management reviewed its strategic focus areas, which were defined as Women's Healthcare (WHC), Neuropsychiatry (CNS), Biotechnology (BIO) and General Medicines (GM), as well as Pharma other (including active pharmaceutical ingredients sales).

The biggest impact on Richter's operating environment in 2023 was Russia-Ukraine war.

In 2023 major changes took place in the following areas:

From 1 January 2023, Nemesné dr. Krisztina Zsámboki took over the leadership of the Quality Management Directorate, from dr. Imre Péter.

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

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

On 27 February 2023, Ilona Dávid and dr. László Szabó announced that with the effect of that day they resign from their memberships in the Gedeon Richter Plc.'s Board of Directors.

Péter Müller employee representative with respect to the termination of his employment relationship resigned from his membership in Gedeon Richter Plc.'s Supervisory Board, with the effect of March 8, 2023.

On 15 May 2023, Richter gave information that the transaction announced on 21 October 2022 in respect of divesture of Richter Group's Romanian wholesale and retail operations was approved by the Romanian competition authority on 9 May 2023. The deal was completed on 15 May 2023 by the transfer of shares of Pharmafarm S.A. and Gedeon Richter Farmacia S.A. companies.

On 23 May 2023, Richter and its Brasilian affiliate Gedeon Richter do Brasil Importadora Exportadora e Distribuidora SA signed an agreement with Grünenthal do Brasil Farmaceutica Ltda on the commercialisation of the latter's Women's Healthcare portfolio. The portfolio includes oral contraceptives Belara and Belarina and food supplements used in pregnancy and lactation.

On 20 July 2023, Richter and IQ Medical Ventures B.V. announced that they signed a Share Purchase Agreement to transfer 100% of the Giskit MD B.V. shares to Richter from Giskit Holding B.V., the affiliate of IQ Medical. Giskit MD B.V. is the owner of ExEm Foam and Gis-Kit assets and patent rights globally, excluding the US, China and South Korea (where they are pharma products). Both Women's Health Care products are used in more patient-friendly ultrasound examinations, ExEm Foam for the examination of the fallopian tubes and Gis-Kit for the examination of the uterine cavity. Giskit MD B.V. was valued at about EUR 30 million by the parties, payable upon signing of the agreement.

On 8 August 2023, Richter and Mithra announced that they have signed a binding supply agreement for the active pharmaceutical ingredient for the combined oral contraceptive Estelle and Donesta, a novel product candidate for the treatment of post-menopausal symptoms. The agreement specifies that Richter will manufacture and supply the Estetrol (E4) native estrogen for Mithra's Estelle and Donesta.

Richter informed its shareholders that the Company's Investor Relations Officer is Antal Burján as of 4 September 2023 and Róbert Réthy as of 6 November 2023.

On 2 November 2023, Richter together with Sumitomo Pharma America, Inc. and Sumitomo Pharma Switzerland, GmbH announced that the European Commission has granted approval of a Type II Variation application for Ryeqo (relugolix 40 mg, estradiol 1.0 mg, and norethisterone acetate 0.5 mg) for the symptomatic treatment of endometriosis in women with a history of previous medical or surgical treatment for their endometriosis. This decision followed a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency on 15 September 2023 and is applicable for all Member States in the European Union.

On 4 December 2023, Richter announced that it expanded its partnership with Mithra Pharmaceuticals SA with a binding Head of Terms agreement for the development and commercialization of the first estetrol-based combined oral contraceptive (15 mg estetrol (E4) / 3 mg drospirenone) and the mono estetrol (E4) investigational product for the treatment of the symptoms of menopause in China. Upon the finalization of the license agreements, Richter will have the exclusive commercialization rights for both products in China. Richter will perform and fund the clinical studies required to obtain marketing approvals in China.

## 52. Events after the date of the balance sheet

Effective 1st of January 2024, Attila Szénási will be promoted to Chief Operations Officer. In this role he will lead the Production and Logistic organisations worldwide.

On 26 January 2024, Richter announced that, effective 26th January 2024, amendments have been made to Government Decree 197/2022. 4/A § pertaining to supplementary pharmaceutical tax, now requiring the payment of an extraordinary and supplementary tax for the 2024 tax year by the pharmaceutical manufacturer. According to the regulation, the Company is expected to pay approximately 8 billion Hungarian forints in extraordinary tax in 2024, which, due to the modified tax base, is now accounted for in the global minimum tax, thereby not imposing any additional burden beyond the obligations related to the global minimum tax. The tax is expected to be accounted for as an income tax.

On 29 January 2024, Richter and Formycon AG announced that Richter becomes strategic investor in Formycon via cash capital increase from authorized capital in the amount of 9.08% of Formycon's share capital. Gross-proceeds in the amount of EUR 82.84m to maintain Formycon's high development pace and operational progress.

The Board of Directors announced that Mr Erik Bogsch with effect from 1 March 2024 resigned from his position as Chairman of the Board of Gedeon Richter Plc., while remaining a member of the Board. The Board of Directors accepted the resignation at its regular meeting held on 26 February 2024. In acknowledgement of his commitment and paramount contribution to the company, the Board of Directors has decided to grant Mr Erik Bogsch the title of "Lifetime Honorary Chairman of Gedeon Richter Plc.". The Board of Directors on its meeting held on 26 February 2024 elected Prof Dr E. Szilveszter Vizi as Chairman of the Board of Directors and also elected Dr Ilona Hardy Dr Pintérné as deputy Chairman of the Board of Directors with effect from 1 March 2024 for a period until the date of the AGM in 2027.

On 6th March 2024 Gedeon Richter Plc. announced that it has signed an agreement with HELM AG, a Germany-based stock corporation ("HELM") to buy 50% stake in Richter-Helm BioTec GmbH & Co. KG ("RHT"); and 30% stake in Richter-Helm BioLogics GmbH & Co. KG. ("RHB") to become 100% owner of both companies.
Under the terms of the agreement Richter will pay EUR 112.4 million altogether. The purchase prices are due on the closure of the transaction pending the merger clearance by both the German and Hungarian competition authorities and other conditions set out in the agreement. On top of the purchase price of RHT, Richter will pay a further earnout scheme in respect of 2025-2029, subject to the performance of RHT.

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

# 53. Approval of financial statements

Current Consolidated Financial Statements have been approved by the Board of Directors and authorised for release at 8 March 2024.

These Consolidated Financial Statements of the Company were approved for issue by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance. The probability of any potential change required by the AGM is extremely remote.

## Disclosures

I, the undersigned declare, that Gedeon Richter Plc. takes full responsibility, that the Annual Report published today, which contains the Group's 12 months to December 2023 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 March 2024

Gábor Orbán

Chief Executive Officer

# GEDEON RICHTER PLC.

## SEPARATE IFRS FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2023

# Gedeon Richter Plc.

## SEPARATE FINANCIAL STATEMENTS

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# Income Statement

| | Notes | 2023 | 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **Revenues** | **4** | **658,824** | **601,562** |
| Cost of sales | | (208,128) | (177,176) |
| **Gross profit** | | **450,696** | **424,386** |
| Sales and marketing expenses | | (91,246) | (121,688) |
| Administration and general expenses | | (33,711) | (19,800) |
| Research and development expenses | | (77,212) | (73,867) |
| Other income | 5 | 10,581 | 15,320 |
| Other expenses | 5 | (57,046) | (66,478) |
| Net impairment losses on financial and contract assets | | (1,018) | (4,220) |
| **Profit from operations** | **5** | **201,044** | **153,653** |
| Finance income | 6 | 76,219 | 98,846 |
| Finance costs | 6 | (83,011) | (70,009) |
| **Net financial (loss)/income** | **6** | **(6,792)** | **28,837** |
| **Profit before income tax** | | **194,252** | **182,490** |
| Income tax | 7 | (7,351) | 2,319 |
| **Profit for the year** | | **186,901** | **184,809** |
| | | | |
| **Consolidated Earnings per share (HUF)** | **8** | | |
| Basic and diluted | | 860 | 907 |

* See Note 50 on the details of restatement.

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Statement of Comprehensive Income

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | | Restated* |
| | | HUFm | HUFm |
| **Profit for the year** | | **186,901** | **184,809** |
| **Items that will not be reclassified to profit or loss (net of tax)** | | | |
| Actuarial (loss)/gain on retirement defined benefit plans | 35 | (552) | 1,007 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | 19, 27 | (14) | (451) |
| | | **(566)** | **556** |
| **Items that may be subsequently reclassified to profit or loss (net of tax)** | | | |
| Fair value gain/(loss) on cash-flow hedges | 30 | 18,093 | (8,432) |
| Hedging (gain)/loss reclassified to profit or loss | | (12,367) | 9,275 |
| Changes in fair value of debt instruments at fair value through other comprehensive income | 19, 27 | 149 | (519) |
| | | **5,875** | **324** |
| **Other comprehensive income for the year** | | **5,309** | **880** |
| **Total comprehensive income for the year** | | **192,210** | **185,689** |

* See Note 50 on the details of restatement.

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Balance Sheet - Assets

| | Notes | 31 Dec. 2023 | 31 Dec. 2022 Restated* |
|---|---|---|---|
| | | HUFm | HUFm |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 250,599 | 226,216 |
| Intangible assets | 14 | 169,608 | 156,990 |
| Investments in subsidiaries, associates and joint ventures | 15, 16 | 166,717 | 137,110 |
| Non-current financial assets at amortised cost | 17 | 46,165 | 52,890 |
| Non-current financial assets carried at fair value through profit or loss | 18 | 75,839 | 67,724 |
| Non-current financial assets carried at fair value through other comprehensive income | 19 | 63,263 | 62,806 |
| Derivative financial instruments | 11 | 16,327 | 31,446 |
| Deferred tax assets | 20 | 16,032 | 16,536 |
| Other long term receivables | 21 | 3,472 | 2,720 |
| | | **808,022** | **754,438** |
| **Current assets** | | | |
| Inventories | 22 | 129,779 | 114,215 |
| Trade receivables | 24 | 278,015 | 210,285 |
| Contract assets | 23 | 5,417 | 4,254 |
| Other current assets | 25 | 27,431 | 31,326 |
| Current financial assets at amortised cost | 26 | 14,272 | 67,625 |
| Current financial assets carried at fair value through other comprehensive income | 27 | 1,454 | 1,536 |
| Derivative financial instruments | 11 | 9,662 | 2,154 |
| Current tax asset | 28 | 182 | - |
| Cash and cash equivalents | 29 | 52,857 | 51,385 |
| | | **519,069** | **482,780** |
| **TOTAL ASSETS** | | **1,327,091** | **1,237,218** |

* See Note 50 on the details of restatement.

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Balance Sheet – Equity and liabilities

| | Notes | 31 Dec. 2023<br>HUFm | 31 Dec. 2022<br>Restated*<br>HUFm |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 30 | 18,638 | 18,638 |
| Treasury shares | 31 | (27,934) | (157) |
| Share premium | 30 | 15,214 | 15,214 |
| Capital reserves | 30 | 3,475 | 3,475 |
| Revaluation reserves for financial assets at fair value through other comprehensive income | 30 | (2,506) | (2,641) |
| Cash-flow hedge reserve | 30 | 6,546 | 820 |
| Retained earnings | | 1,117,000 | 1,003,386 |
| | | **1,130,433** | **1,038,735** |
| **Non-current liabilities** | | | |
| Non-current financial liabilities at fair value through profit or loss | 32 | 55,443 | 42,322 |
| Derivative financial instruments | 11 | 11,413 | 25,484 |
| Lease liabilities | 33 | 2,286 | 1,324 |
| Other non-current liabilities and accruals | 34 | 13,762 | 13,493 |
| Provisions | 35 | 4,460 | 3,346 |
| | | **87,364** | **85,969** |
| **Current liabilities** | | | |
| Borrowings | 36 | 22,762 | 1,205 |
| Trade payables | 37 | 52,521 | 49,836 |
| Current tax liabilities | 28 | 865 | 2,856 |
| Current financial liabilities at fair value through profit or loss | 39 | 2,787 | 2,936 |
| Derivative financial instruments | 11 | 935 | 4,786 |
| Lease liabilities | 33 | 939 | 634 |
| Other current liabilities and accruals | 40 | 28,346 | 49,975 |
| Provisions | 35 | 139 | 286 |
| | | **109,294** | **112,514** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,327,091** | **1,237,218** |

* See Note 50 on the details of restatement.



The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Statement of Changes in Equity

| for the year ended 31 December 2022 | Notes | Share capital | Share premium | Capital reserves | Treasury shares | Revaluation reserves for financial assets at fair value through other comprehensive income | Cash-flow hedge reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Balance at 1 January 2022** | | **18,638** | **15,214** | **3,475** | **(512)** | **977** | **(23)** | **856,599** | **894,368** |
| Profit for the year (Restated*) | | - | - | - | - | - | - | 184,809 | 184,809 |
| Actuarial gain on defined benefit plans | 35 | - | - | - | - | - | - | 1,007 | 1,007 |
| Changes in the fair value of financial assets at FVOCI | 19, 27 | - | - | - | - | (3,618) | - | 2,648 | (970) |
| Change in fair value of hedging instruments recognised in OCI | 30 | - | - | - | - | - | (8,432) | - | (8,432) |
| Hedging loss reclassified to profit or loss | 30 | - | - | - | - | - | 9,275 | - | 9,275 |
| **Comprehensive income for year ended 31 December 2022 (Restated*)** | | **-** | **-** | **-** | **-** | **(3,618)** | **843** | **188,464** | **185,689** |
| Purchase of treasury shares | 31 | - | - | - | (3,190) | - | - | - | (3,190) |
| Transfer of treasury shares | 31 | - | - | - | 3,545 | - | - | (3,545) | - |
| Recognition of share-based payments | 30 | - | - | - | - | - | - | 3,802 | 3,802 |
| Ordinary share dividend for 2021 | 42 | - | - | - | - | - | - | (41,934) | (41,934) |
| **Transactions with owners in their capacity as owners for year ended 31 December 2022** | | **-** | **-** | **-** | **355** | **-** | **-** | **(41,677)** | **(41,322)** |
| **Balance at 31 December 2022 (Restated*)** | | **18,638** | **15,214** | **3,475** | **(157)** | **(2,641)** | **820** | **1,003,386** | **1,038,735** |

* See Note 50 on the details of restatement.

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

| for the year ended 31 December 2023 | Notes | Share capital | Share premium | Capital reserves | Treasury shares | Revaluation reserves for financial assets at fair value through other comprehensive income | Cash-flow hedge reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Balance at 1 January 2023** | | **18,638** | **15,214** | **3,475** | **(157)** | **(2,641)** | **820** | **1,003,386** | **1,038,735** |
| Profit for the year | | - | - | - | - | - | - | 186,901 | 186,901 |
| Actuarial (loss) on defined benefit plans | 35 | - | - | - | - | - | - | (552) | (552) |
| Changes in the fair value of financial assets at FVOCI | 19, 27 | - | - | - | - | 135 | - | - | 135 |
| Change in fair value of hedging instruments recognised in OCI | 30 | - | - | - | - | - | 18,093 | - | 18,093 |
| Hedging (gain) reclassified to profit or loss | 30 | - | - | - | - | - | (12,367) | - | (12,367) |
| **Comprehensive income for year ended 31 December 2023** | | **-** | **-** | **-** | **-** | **135** | **5,726** | **186,349** | **192,210** |
| Purchase of treasury shares | 31 | - | - | - | (31,534) | - | - | - | (31,534) |
| Transfer of treasury shares | 31 | - | - | - | 3,757 | - | - | (3,757) | - |
| Recognition of share-based payments | 30 | - | - | - | - | - | - | 3,708 | 3,708 |
| Ordinary share dividend for 2022 | 42 | - | - | - | - | - | - | (72,686) | (72,686) |
| **Transactions with owners in their capacity as owners for year ended 31 December 2023** | | **-** | **-** | **-** | **(27,777)** | **-** | **-** | **(72,735)** | **(100,512)** |
| **Balance at 31 December 2023** | | **18,638** | **15,214** | **3,475** | **(27,934)** | **(2,506)** | **6,546** | **1,117,000** | **1,130,433** |

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Cash-Flow Statement

| for the year ended 31 December | Notes | 2023 HUFm | 2022 HUFm |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 194,252 | 182,490 |
| Depreciation and amortisation | 5, 12, 14 | 35,367 | 33,950 |
| Non-cash items accounted through Income Statement | | 5,733 | (1,672) |
| Net interest and dividend income | 6 | (17,826) | (14,546) |
| Impairment recognised on intangible assets | 14 | 4,170 | 18,978 |
| *Other operating activities* | | *6,334* | *2,898* |
| Year-end foreign exchange translation difference of borrowings | 6 | 194 | - |
| Reclass of results on changes of property, plant and equipment and intangible assets | | (75) | 1,461 |
| Impairment on investments | 15 | 2,544 | (1,477) |
| Expense recognised in respect of equity-settled share-based payments | 30 | 3,671 | 2,914 |
| *Interest paid and Income tax paid* | | *(23,703)* | *(14,125)* |
| Interest paid | 6 | (14,696) | (7,361) |
| Income tax paid | 7, 28 | (9,007) | (6,764) |
| **Net cash-flow from operating activities before movements in working capital** | | **204,327** | **207,973** |
| *Movements in working capital* | | *(94,534)* | *(37,370)* |
| Increase in trade and other receivables | 24, 25 | (53,410) | (46,234) |
| Increase in inventories | 22 | (22,345) | (28,475) |
| (Decrease)/increase in payables and other liabilities | 34, 37, 40 | (18,779) | 37,339 |
| **Net cash-flow from operating activities** | | **109,793** | **170,603** |
| **Cash-flow from investing activities** | | | |
| Payments for property, plant and equipment | 12 | (43,364) | (39,754) |
| Payments for intangible assets | 14 | (31,676) | (12,058) |
| Proceeds from disposal of property, plant and equipment | | 829 | 384 |
| Payments to acquire financial assets | | (34,815) | (57,954) |
| Proceeds on sale or redemption on maturity of financial assets | | 71,892 | 14,868 |
| Disbursement of loans | | (23,474) | (33,648) |
| Loans repaid by borrowers | | 23,544 | 2,612 |
| Interest received | 6 | 25,377 | 17,295 |
| Dividend received | 6 | 7,145 | 4,612 |
| Net cash outflow on acquisition of subsidiaries | 14 | (28,366) | (1,907) |
| **Net cash-flow to investing activities** | | **(32,908)** | **(105,550)** |
| **Cash-flow from financing activities** | | | |
| Purchase of treasury shares | 31 | (31,534) | (3,190) |
| Dividend paid | 42 | (72,686) | (41,934) |
| Principal elements of lease payments | | (985) | (596) |
| Repayment of borrowings | | (35,748) | (178,487) |
| Proceeds from borrowings | | 47,191 | 178,487 |
| **Net cash-flow to financing activities** | | **(93,762)** | **(45,720)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(16,877)** | **19,333** |
| **Cash and cash equivalents at beginning of year** | **29** | **58,689** | **38,903** |
| Effect of foreign exchange rate changes on the balances held in foreign currencies | | (80) | 453 |
| **Cash and cash equivalents at end of year** | **29** | **41,732** | **58,689** |

The notes on pages 218 to 311 form an integral part of the Separate Financial Statements.

# Notes to the Financial Statements

## 1. General background

### 1.1 Legal status and nature of operations

Gedeon Richter Plc. ("the Company") is a manufacturer of pharmaceutical products registered in Hungary. The Company was established in 1923. The predecessor of the Company was founded in 1901 by Mr. Gedeon Richter, by acquiring a pharmacy. The Company is a public limited company which is listed on Budapest Stock Exchange. The Company's headquarter is in Hungary and its registered office is at Gyömrői út 19-21, 1103 Budapest.

| | |
|---|---|
| Name of the Company | Chemical Works of Gedeon Richter Plc. |
| Short name of the Company | Gedeon Richter Plc. |
| Date of foundation of legal predecessor: | 2 October 1923 |
| Address of the Company: | 1103 Budapest, Gyömrői út 19-21. |
| Sites of the Company: | 2510 Dorog, Esztergomi út 27.<br>4031 Debrecen, Richter Gedeon utca 20.<br>4031 Debrecen, Kígyóhagyma utca 8.<br>6720 Szeged, Eötvös u 6.<br>7673 Kővágószőlős, 505/2 hrsz.<br>MD 2005 Chisinau, str. Alexandr Puskin 47/1.bloc "A".ép. oficiul 1.ajtó |
| Website of the Company: | www.gedeonrichter.com |
| Date of the first Articles of Association: | 24 July 1923 |
| Date of the effective Articles of Association: | 19 December 2023 |
| Reference and place of last Company Court registration: | Cg. 01-10-040944 Budapest |
| Current registered capital: | HUF 18,637,486,000 |
| Principal activity: | Manufacture of pharmaceutical products |
| TEÁOR No.: | 2120'08 |
| Duration of the Company: | Indefinite |
| Business year: | Corresponding to the calendar year |
| Name and address of the auditor company: | Deloitte Auditing and Consulting Ltd. |
| | 1068 Budapest, Dózsa György út 84/C. |
| The person responsible for the audit is: | Tamás Horváth |
| Registration number at the Chamber of Hungarian Auditors: | 003449 |
| Company announcements are published in: | Company Gazette: www.cegkozlony.hu<br>www.gedeonrichter.com<br>www.bet.hu<br>kozzetetelek.mnb.hu |
| Name of the person authorized to sign on behalf of the Company: | Gábor Orbán chief executive officer |
| Address: | Budapest |
| The person responsible for the Management and supervision of the tasks related to book-keeping is: | Judit Kozma chief accountant |
| Address: | Budapest |
| Registration number: | 184862 |

## 1.2 Basis of preparation

This report is the Company's separate annual financial statement, and it has been prepared in accordance with the International Financial Reporting Standards ('IFRS') accepted by the European Union (EU).

The statement prepared for the balance sheet date as of 31 December 2023 is a complete set of separate IFRS financial statement of the Company (Income Statement, Balance Sheet, Statement of Changes in Equity, Cash-Flow Statement), including comparative figures for the previous period, i.e. the closing balance of 31 December 2022.

The Company also prepares consolidated financial statements as parent company of the group. This financial information can be downloaded from:
https://www.gedeonrichter.com/en/investors/annual-general-meeting

The financial statements have been prepared on the historical cost basis of accounting except for certain financial instruments which are valued at fair value. The amounts in the separate financial statements are stated in millions of Hungarian Forints (HUFm), unless stated otherwise.

The principal accounting policies applied in the preparation of these financial statements are set out below or in the relevant note.

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## 1.3 Macroeconomic environment

**A) The impact of supply chain and other macroeconomic factors**

The most serious economic risk to the global economy in winter 2022/23 was the fear of a supply crisis, notably in the area of energy — especially natural gas — and other raw materials. This fear was particularly strong in Europe because many European economies are dependent on imports of raw materials. The feared supply bottlenecks did not arise in Europe. There are several reasons for this: efficient use of raw materials, energy imports from new supplier countries and, finally, a mild winter that kept demand for heating energy low. Even though energy and commodity prices fell during 2023, they are still significantly above the level of the last 15 years. It can be assumed that they will remain above the pre-crisis level (i.e., energy prices before the coronavirus pandemic and the Russian attack on Ukraine) in the coming years.
In 2023, the effects of inflation, rising interest rates, tight labour markets, the war in Ukraine, the climate crisis and rapidly changing macroeconomic conditions created uncertainty and worsened the economic outlook in the global economy. Central banks around the world have increased interest rates across 2022 and 2023 to try and tackle inflation, while attempting to balance this with a need to maintain growth. The main risk is a renewed uptick in consumer price inflation. Particularly at risk are the US and the Eurozone, where real policy rates are trending at the highest levels since January 2008. Keeping rates higher, for even longer, could weigh on economies more significantly, turning mild recessions into deeper ones. Global monetary tightening has exacerbated fiscal and debt vulnerabilities in developing countries. Rising borrowing costs and a strong dollar have increased debt-servicing burdens and debt default risks.

The pharma industry has also been affected by the broader global trends of supply chain disruptions, inflation, and workforce shortage. Following the COVID-19 pandemic, it has become a fundamental objective to mitigate potential future risks by improving the resilience of their global supply chains. In all sectors companies have diversified their exposure by strengthening domestic production.

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

**Availability and pricing of raw materials and finished products**

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

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

**Shipping, distribution and warehousing**

In transportation the risks (price, delivery time, uncertainties) have decreased on average compared to before, but increased towards Russia and Ukraine which the Company tries to mitigate by planning of alternative options (other ground routes, air transport) and continuous monitoring the current situation.
There is a risk of lack of storage capacity, but it is manageable, however, the increase in inventory required due to the increased procurement time, the acceleration of production, and the slowdown in sales and delivery may lead to storage problems.
During production and sales planning, the Company places special emphasis on harmonizing expected market demands and the amount and timing production in order to mitigate the risk of 'lost business', excessive storage needs, the time of the production-sales cycle, the increase in production and storage costs.
The Company strives to eliminate the above risks by continuous balancing of supply and demand and by central management of complete inventory management.

**Labour availability and personnel costs**

The pharma industry is also facing talent shortages linked to wider labour market trends. Hiring and retaining talented workforce has also become more challenging in the past few years, posing new challenges to the industry. A more pronounced economic and geopolitical volatility together with social and environmental tensions have reshaped the labour market. Innovation is a key driver for pharmaceutical industry and without a properly qualified scientific workforce companies face obstacles to strengthen their position and competitiveness.
Difficulties in accessing and retaining qualified staff in the Central and East European subsidiary companies of the Company may make operations more difficult, more expensive, even may result 'lost business'.

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

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

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

- Wage increases and the career opportunities helping the long-term commitment to the Company (loyalty program);
- Contracting with international head-hunters;
- University training collaborations, presence at universities;
- Teleworking for foreigners;
- Employer branding development;
- New recruitment techniques, new channels;
- Fluctuation monitoring, search for individual solutions in the affected areas;
- Creation of more flexible, personalized compensation systems, workforce replacement planning, competency planning;
- Education, development programs;
- Mental health support;
- Management training programs, marketing of management positions;
- Reduction of labor demand - Robotization, IT developments, paperless processes, transformation of processes, increase in efficiency.

**Inflation risks**

Higher inflation levels affect the judgements and estimates used in the preparation of the financial statements, including the predicted costs used in the going concern/impairment review and the assumptions made about pension obligations.
A significant number of our products have fixed prices, so our repricing abilities are limited. Margins may shrink, some products may even become unprofitable.
A rise in energy prices may result is a significant increase in expenses (directly and indirectly), price volatility may also be high, which may make difficult planning and operation.
There is also a significant risk in optimally managing the increase in costs to retain and acquire workforce.

The following risk management procedures are applied:

- The effect of inflation occurs more slowly due to the long production cycles, which improves our room for acting;
- Increase of sales prices;
- Early procurement;
- Proper planning and conscious scheduling of procurement.

**Risk of managing and investing financial assets**

Interest rate risk: Changes in market interest rates affect the value and yield of invested interest-bearing securities (interest + foreign exchange gains / losses); Rising interest rates (+increasing lead times, fragmentation of supply chains) increases the cost of working capital. The majority of securities, with the exception of short-term government securities, are valued at fair market value, so there is no hidden interest rate risk.
Partner risk: Significant adverse changes in the position of our partners (typically banks) may result in losses.
Liquidity risk: The Company is unable or able only at the cost of material financial losses to meet its payment obligations.

The Company applies the following risk management procedures:
- Financial investment regulations, strict compliance, daily limit monitoring, risk manager, reports; annual review and development;
- Centralized control of free cash of subsidiaries;
- Interest rate risk: limits (duration), interest rate swaps (protection against increase of rates), continuous monitoring, investment decisions, an increase in spreads may mean some risk;
- Partner risk: partner limits, involvement of new partners, partner selection, diversified portfolio and assets (ETF), contracting based on ISDA (reduction of legal risks);
- Liquidity risk: treasury activity, liquidity limits, Cash-flow planning, payment planning, adequate flow of information to treasury, repo transactions, borrowing;
- Monthly investment and risk management report;
- Investment Committee – weekly.

**Foreign exchange risk on cash-flows and financial instruments**

The Company is highly exposed to RUB and USD and other currencies on the revenue side and has foreign currency financial instruments. Exchange rate fluctuations may distort all income measured in HUF and EUR and may cause losses.
Due to the increased volatility of the foreign exchange rate, the value of assets registered in foreign currency changes significantly. Extra accounting results might be generated in both directions.
In the case of RUB, hedging with derivative transactions is not possible, we are trying to mitigate the risk with other methods (e.g., discounting).

The Company has implemented the following procedures to mitigate the risks and their effects:
- Natural hedge to some extent by cost items occurring in the same currency, reduction of open positions by conversion;
- Application of limits;
- Rolling hedging of planned USD, RUB revenues, hedging of financial investments in USD to ensure the stability and predictability of financial results;
- Changing the Russian business model - invoicing in USD where it is possible, local conversion of RUB revenues, restructuring of banking relationships and operations, continuous examination of opportunities, negotiations with banking partners;
- Development of a foreign exchange allocation model and currency risk coverage;
- The continuous hedging of the currency exposures of energy purchases and the energy costs.

**B) Climate-related and ESG risks**

Sustainability, environmental awareness overrides operational methods, usable technologies, materials, environmental pollution regulations. Many production processes should be rethought in the future. At the production process we have to adapt to this. If the Company would delay activity on this field, it could cause significant competitive disadvantage.
We have to adapt to the increasing investor expectations, changing consumer habits and preferences in this area as well, supporting sustainable development and green technologies.

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

**Environmental Protection**

Minimising the environmental load of its manufacturing activities is a priority task for Richter, therefore the most state-of-the-art technologies are applied in order to continuously decrease negative environmental impacts.

By determining its carbon footprint, Richter has laid the foundations to take the necessary steps to reach the target set by the European Union's "Fit for 55" programme. Carbon footprint calculations are to be carried out on an annual basis to monitor progress towards the targets. In 2023, carbon footprint calculations for the year 2022 were completed for the European manufacturing subsidiaries (Poland, Romania and Russia) as well as for the joint ventures (Germany and India).

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

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

**Occupational Health and Safety**

A typical source of hazard at Richter's workplaces is the presence of hazardous chemicals. Appropriate procedures and equipment are available to reduce the risk to an acceptable level. Richter implements chemical safety requirements as early as the research and production planning stages. This includes technological protective seals and human resource management (training, selection, work organisation, and health maintenance programs). Employees apply individual protective devices on an ongoing basis.

The EHS experts help to raise EHS awareness in Hungary, to promote the prevention of critical incidents and to assess possible deviations through safety walkthroughs and transparent communication. Due to these efforts, similarly to 2022, there were no serious work-related accidents in 2023, no deficiencies of note were found by the relevant authorities, and no fine was imposed.

Richter has been constantly working on optimising its health and safety processes; following the passing in 2023 of the revision audit of the Occupational Safety and Health Management System (MEBIR) under Hungarian Standard MSZ ISO 45001:2018 by the supervisory agencies, education and training, regulations, performance evaluation, risk management and occupational hazard measurements are appropriate and in keeping with the rules and regulations.

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

**Human Resource Management**

One of Richter's strategic goal is to build a future proof organisation that is able to anticipate the complex internal and external challenges. We put people at the center, and we are committed to fostering an environment where people feel valued, developed and rewarded regardless of any visible or invisible differences. We continuously build our culture around the four key Richter values (People, Accountability, Innovation and Excellence) to enable our more than 11 000 employees to reach their full potential.

With the aim to offer equal opportunities in recruitment, development, career and pay we continuously audit our processes and policies, and put in place an extensive DEI plan by focusing as a first step on gender and multi-age diversity.

**Policy of Diversity**

Throughout its operation Richter lays great store by personal values and individual characteristics. According to the Company's creed the exploitation of varying characteristics is the corner stone of innovation and success, and believes that the Company's success is partly based on the diversity of its people. It considers the recognition and appreciation of the individual's personal traits important. It is every manager's job to serve as an example in managing diversity, tolerance and inclusion, and to promote the practical manifestation of the Company's commitment to diversity as best as possible. Diversity in a tenet at all levels of Richter's operation; when drafting internal regulations the Company strives to shape the corporate environment to meet this principle.

In the spirit of diversity, when composing the Company's leading bodies priority will be given to knowledge related to Richter's main business and character as a multinational pharma group, expertise in the economic, scientific, social, and environmental contexts of the Company's operation, effective and efficient cooperation between professionals of different genders, representing both older and younger generations, as well as professional and personal reputation. Richter's position is that these diversity considerations are best promoted if the leading bodies have members with qualification and experience in areas relevant to Richter (pharmaceutical research, R&D, healthcare, finance, capital markets, and general management); Richter, therefore, tries to have members with appropriately diverse professional backgrounds serving on its leading bodies.

**Procedures used to manage ESG-related risks:**

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

## 1.4 Adoption of new and revised standards

**A) The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2023.**

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

- New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17;

- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors";

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting policies;

- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;

- Amendments to IAS 12 "Income Taxes" – International Tax Reform — Pillar Two Model Rules.

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

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

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current – Deferral of Effective Date, Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024).

- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS in full):

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IAS 7 "Statement of Cash-flows" and IFRS 7 "Financial Instruments: Disclosures" - Supplier Finance Arrangements;
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates".

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

Any other new/modified standard or interpretation is not expected to have a significant impact on the financial statements of the Company.

# 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these separate financial statements are set out below.

## 2.1 Transactions and balances in foreign currencies

The financial statements are prepared and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional and presentation currency of the Company is Hungarian Forint (HUF).

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within Finance income or Finance costs.

The Company recognizes the foreign currency monetary assets and liabilities using the Hungarian National Bank (NBH) currency rate as of the recognition. The Company revaluates at the year end all monetary assets and liabilities using the year end exchange rate of NBH.
In cases where the Company's transaction currency is not quoted by the Hungarian National Bank (NBH), the conversion into HUF is made using the cross rates calculated from the functional transaction currency to USD rate published by Bloomberg and the functional currency to USD rate published by the NBH. In special cases (in the absence of the above, or if the scheduling of daily transaction tasks do not allow waiting for the publication by Bloomberg of the transaction currency to USD exchange rate referred to above), the conversion into HUF shall be carried out at the cross rate calculated from the transaction currency to USD rate published by the national bank issuing the transaction currency and the functional currency to USD rate published by the NBH.

## 2.2 Revenue recognition, interest income and dividend income

Revenue is shown net of value-added tax, returns, rebates, discounts as well as considering the estimated discounts to be provided after the sales already performed. Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Some of the customer contracts contains a right of return clause under certain condition, but the estimated effect of such future returns deemed to be immaterial. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Variability mainly relates to the discounts referred above, where revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

**A) Sales revenue**
Revenue is defined as income arising in the course of an entity's ordinary activities. The Company's revenue primarily comes from:

- sale of pharmaceutical products produced and purchased by the Company and Richter Group,
- royalty and license income from products already on the market arising from license agreements with various pharmaceutical companies,
- performance-related milestone payments received for products with marketing authorisation (e.g., cumulative sales related milestone),
- contract manufacturing service,
- other services including provision of marketing service, performing transportation activity etc.

**B) Sale of pharmaceutical products (including wholesale and retail activity)**
The Company manufactures and sells a range of pharmaceutical products.
Revenue is recognized when it is likely that the Company satisfies a performance obligation by transferring promised goods to a customer. For the vast majority of contracts, revenue is recognized when the product is physically transferred and the customer obtains control, in accordance with the delivery and acceptance terms agreed with the customer.
Obtaining control implies the ability to prevent other entities from directing the use of, and obtaining the benefits from a good. The Company most often uses the following trade terms: CIP, EXW, CIF, FOB, DAP, DDP, CPT.

In the case of contracts with wholesalers, Richter does not recognize revenue when the product is physically transferred to the wholesaler if the products are sold on consignment, or if the wholesaler acts as agent. In such cases, revenue is recognized when control is transferred to the end customer.
In certain cases, the Company has contract with customers, under which the Company produces pharmaceutical products which has no alternative use (e.g. due having a unique packaging) and receives a binding purchase order for the entire batch of products from the customer. This can provide the Company with an enforceable right to the payment for performance completed to date and in that case the Company accounts for the revenue overtime.
The Company accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

**C) Licences and royalties**
The royalty and licence income mainly comprise royalties received from licensing intellectual property rights to third parties, the most significant of which is the agreement with AbbVie in relation to Vraylar® as disclosed in Note 4.2.
Sales-based royalties received under licensing arrangements (including the Vraylar® contract referred above) are recognized over the period during which the underlying sales are recognized.
Certain contracts may include milestone payments related to products with marketing authorisation (e.g., cumulative sales related milestone), where the associated revenue is accounted for when such a milestone is achieved.

**D) Contract manufacturing and other services**
Rendering services, such contract manufacturing, marketing and research and development services are performance obligations, which are satisfied over time. At the end of each reporting period, the Company remeasures the progress towards complete satisfaction of such services and recognizes revenue accordingly.
The revenue from the services is recognised in accordance with the rate of completion of the transaction during the accounting period for the rendering services and is assessed based on direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract.

**E) Interest income**
Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets, presented as Finance income or Finance costs. Interest income on financial assets at amortised cost (hereinafter AC) and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of Finance income.

**F) Dividend income**
Dividends are received from financial assets measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVOCI), and from subsidiaries, joint ventures, associates. Dividends are recognised as Finance income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits unless the dividend clearly represents a recovery of part of the cost of an investment.

All other accounting policy regulation are detailed in the relevant disclosure of the Financial Statement.

# 3. Key sources of estimation uncertainty and critical accounting judgements

In the application of the Company's accounting policies Management is required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are the following:

## 3.1 Key sources of estimation uncertainty

Russian-Ukrainian conflict

Business in Russia suffered slight temporary delays in the early days of the military conflict, shipments have since then broadly returned to their pre-war routine. In-market sales figures (IQVIA, data for the first eleven months 2023) suggest that retail sales recorded in RUB terms by Richter products increased by 8.6 % significantly exceeding overall market growth at 3.1% in RUB terms, primarily related to price increases implemented by manufacturers and distributors.

Sales to Russia at HUF 112,721 million increased by 4.7% in HUF terms. Notwithstanding a volatile market environment presenting unforeseeable risks connected to the ongoing war and the subsequent sanctions imposed on Russia, business operations prevailed broadly at levels experienced prior to the war. Sales in this business unit were primarily driven by gynaecology and cardiovascular products. Price increases impacted our year-on-year performance achieved during the reported year on this market by an average of 4.4% implemented on our portfolio of non-EDL drugs. Nearly stagnating volumes at the wholesaler level were therefore complemented by the higher prices applied.

Starting March 2022 we have served Russian wholesalers exclusively from the Gedeon Richter RUS warehouse. Invoices to wholesalers are issued in RUB as previously by local subsidiaries of the Group. Invoices between the latter and the Parent are settled in USD with effect from second quarter 2022. Approximately third of our local turnover is naturally hedged, covering the RUB incurred costs of local manufacturing and marketing activities, while the exchange rate risk of the cash-flow of internal transfers is managed by the Parent Company within the framework of a rolling hedge program.

In 2023, the Company's sale reported in Ukraine shows an increase of 5.7% in HUF terms compared to the base year. Due to a change in Ukrainian legislation, marketing authorizations issued for products having sufficient competitors on the market may be revoked if their manufacturer operates manufacturing units and pays taxes in Russia. A procedure implementing the suspension of 53 of our products was initiated in October 2022 on this legal basis. Authorities warned the Company that should it maintain its Russian manufacturing base, marketing authorizations will be revoked in respect of 10 Richter brands sold in 29 different formulations with effect from early 2025. Richter is going to legally challenge this decision.

On the balance sheet date the Company has an exposure on the following items in the balance sheet:

| Exposure factors (HUFm) | Russia | Ukraine | Total |
|---|---|---|---|
| Investments in subsidiaries | 19,649 | 772 | **20,421** |
| Loans given to subsidiaries | 3,928 | 13 | **3,941** |
| Trade receivables | 112,827 | 2,958 | **115,785** |
| *- from this: amounts due from subsidiaries* | *112,573* | *0* | ***112,573*** |
| Bonds | 826 | - | **826** |
| Inventories | 2,489 | 1,495 | **3,984** |
| Cash and cash equivalents | 481 | 6 | **487** |
| **All exposures** | **140,200** | **5,244** | **145,444** |



In 2023 the sales to the two countries amounted to 19% of the Company's total revenue (HUF 123,757 million).

| | Russia | Ukraine | Total |
|---|---|---|---|
| Revenue in 2023 (HUFm) | 112,721 | 11,036 | **123,757** |
| *Proportion of the total revenues* | *17%* | *2%* | *19%* |

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

Depreciation and amortization

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives.

Estimated useful lives are reviewed annually. If the estimated useful life was lower by 10%, depreciation for 2023 would be higher by HUF 3,828 million compared to what is currently recorded in the Financial Statement. This change would have been HUF 3,700 million in 2022.

The Company recognised depreciation and amortisation cost of HUF 34,458 million in 2023, and HUF 33,297 million in 2022. This amount does not contain the depreciation calculated for right-of-use assets.

Unlike property, plant and equipment and intangible assets, there is another type of decision uncertainty when reviewing the depreciation of the right-of-use assets, whereas the estimated useful lives of these assets are essentially determined by the duration of the lease and not by the useful life of the asset. The depreciation of the right-of-use assets during the current year was not significant (HUF 909 million) comparing to the depreciation of the fixed assets (HUF 34,458 million). For these reasons, the uncertainty arising from the depreciation of the right-of-use assets is not quantified.

## 3.2 Critical judgements in applying entities accounting policies

Deferred tax

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

The Company has a significant amount of development tax credit, qualifying as an investment tax credit from IFRS point of view and (as a result of the change in accounting policy) treats it analogously to tax credits under IAS 12. On December 31, 2023, the recognised amount of deferred tax accounted for in connection with tax credits was HUF 13,196 million (on 31 December 2022 HUF 13,495 million), of which HUF 2,160 million was used in 2023, and HUF 1,861 million is the interest effect of conversion to current price.

The deferred tax expense in presented in Note 20.

# 4. Segment Information

## 4.1 The Richter Group segment information

**Accounting policy**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors as chief operating decision-makers. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments and makes strategic decisions.

Management has determined the operating segments based on the reports prepared on an IFRS basis and reviewed by the Board of Directors (Chief Operating Decision Makers) that are used to make strategic decisions. The two main segments for management purposes and some strategic focus areas under them:

a) Pharma Segment

- Women's Healthcare (WHC)
  By addressing unmet needs and staying ahead of innovation we aim to become the leading provider of pharmaceutical products for European women by the end of the decade.

- Neuropsychiatry (CNS)
  Leveraging our world class early phase R&D capability in the central nervous system domain we are building a pipeline of small molecule drug candidates mainly in the field of neuropsychiatry.

- Biotechnology (BIO)
  Leverage our biotechnology platform to develop and manufacture biosimilar drugs for global markets.

- General medicine (GM)
  Comprises our established and generic portfolio in various therapeutic areas in the Central and Eastern European regions.

- Other pharma

b) Other segment includes the remaining wholesale and retail business of the Group and all other activities.

## 4.2 The revenue information of Company

Revenues of the Company are derived from the sale of goods, revenue from services, revenue from services and royalty incomes as described below.

| **Analyses of revenue by category** | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---|---|
| Sales of goods | 457,956 | 449,508 |
| Revenue from services | 1,536 | 2,293 |
| Royalty income | 199,332 | 149,761 |
| **Total revenues** | **658,824** | **601,562** |

Revenues of approximately HUF 194,284 million (2022: HUF 138,114 million) derived from one single external customer (AbbVie), that 29% of total revenues. The revenue is related to royalty payments of Vraylar® and located in the USA region. There was no other customer exceeding 10% of revenues neither in 2023 nor in 2022.

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

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Europe | 385,796 | 382,646 |
| North America | 213,026 | 159,221 |
| Latin America | 12,556 | 15,694 |
| APAC region | 39,729 | 38,206 |
| Rest of the world | 7,717 | 5,795 |
| **Total revenues** | **658,824** | **601,562** |

Richter has aligned its reporting geographies to reflect the regional split followed in its regular operations. From 2023, the main reporting regions consist of Europe, North America, Latin America, Asia-Pacific (APAC region) and Rest of the World. The countries included in each of these regions are found on Richter's website (analyst information tables): https://www.gedeonrichter.com/en/investors/company-reports

The increase in sales in the North America region is linked to the Vraylar® royalty. Growth in the Europe region was driven primarily by rising sales in Hungary, contributed by the aggregate growth in Abiraterone, Relugolix, Aktil, Cavinton, Xilomare, Terrosa, Verosprion and several smaller items. The increase in Russian sales was mainly driven by Spironolactone, Other Steroids, Oralsept, Ekvamer, Mydocalm and Panangin, attenuated by declines in Reagila® and Aflamin sales. In Romania, the increase was driven by Cavinton, Tamsulosin and Vildagliptin, while the Polish increase was driven by Dabigatran, Reagila® and Rivaroxaban. In the APAC region, Escapelle sales in China are the dominant contributor. Growth in the Other Countries region is mainly linked to Evra® and Reagila®. The decline in the Latin America region was imputable to the decline in the Evra® royalty in Mexico.

**Top 10 countries**

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| USA | 208,768 | 155,407 |
| Russia | 112,721 | 107,656 |
| Hungary | 51,836 | 45,710 |
| Poland | 26,060 | 22,830 |
| China | 22,374 | 20,744 |
| Germany | 19,080 | 27,432 |
| Spain | 15,801 | 19,649 |
| Romania | 15,452 | 11,858 |
| Great Britain | 13,756 | 11,082 |
| Italy | 12,476 | 16,215 |
| **Total top 10 countries** | **498,324** | **438,583** |

**Top 10 products**

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Cariprazine | 205,969 | 150,093 |
| hormonal contraceptives | 125,730 | 132,272 |
| Mydeton | 24,714 | 22,589 |
| Evra | 22,210 | 28,223 |
| Teriparatide | 19,807 | 21,702 |
| Cavinton | 18,232 | 17,290 |
| Panangin | 15,223 | 13,894 |
| Bemfola | 14,400 | 20,367 |
| Verospiron | 13,026 | 10,427 |
| Aflamin | 11,776 | 13,596 |
| **Total Top 10 products** | **471,087** | **430,453** |

# 5. Profit from operations – expenses by nature

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Revenues | 658,824 | 601,562 |
| *from this: royalty and other similar income* | *199,332* | *149,761* |
| Changes in inventories of finished goods and work in progress | 12,146 | 19,780 |
| Cost of goods sold | (43,290) | (32,153) |
| Material type expenses | (254,176) | (270,353) |
| Personnel expenses | (91,560) | (78,353) |
| Depreciation and amortisation | (35,367) | (33,950) |
| *from this: IFRS16 related (Note 13.)* | *(909)* | *(653)* |
| Sharing of expenses | 1,950 | 2,498 |
| Net impairment losses on financial and contract assets | (1,018) | (4,220) |
| Other income | 10,581 | 15,320 |
| Other expenses | (57,046) | (66,478) |
| **Profit from operations** | **201,044** | **153,653** |

The fee for the statutory audit amounted to HUF 60.4 million in 2023. The statutory auditor provided other assurance services for HUF 14.8 million.

**Net impairment losses/gains on financial and contract assets**

The net impairment losses/gains on financial and contract assets amounted to HUF 1,018 million loss in 2023 and HUF 4,220 million loss in the previous year. Of the 2023 impairment of loans and capital contributions of affiliated companies, mention should be made of the impairment of GR Brasilia's loans. The balance of expense on the impairment of trade receivables decreased over the past two years.

**Other income and Other expenses**

The Other incomes decreased from HUF 15,320 million in the previous year to HUF 10,581 million in 2023.

In the reported year the Company received HUF 5,848 million one-off payments mainly related to denosumab and compared to the one-off payments realised from cariprazine and the collaboration with AbbVie covering the field of neuropsychiatric diseases in the reference period and amounting to a total of HUF 10,623 million.

The Other expenses decreased from HUF 66,478 million in the previous year to HUF 57,046 million in 2023.

Hungarian Government decided on 23 December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as Other expense in 2022. This amount is HUF 399 million higher in 2023.

In every year the Company reviews it is ongoing development projects as a result of which the contracts may be terminated and product developments stopped. Impairment reported on intangibles in the current year amounted to HUF 4,127 million. In 2022 the impairment reported on intangibles was HUF 18,979 million.

In 2023, HUF 4,949 million was reported in impairment and scrapping of inventories, HUF 1,350 million lower than in the reference year.

Claw-back in 2023 comprised payments related to the Hungarian, Romanian, German, French, Spanish, Portuguese, Belgian, Italian, Bulgarian, Austrian, Polish, Latvian, Lithuanian, Croatian, Slovenian, Greek, Irish, British and Swiss markets totalling HUF 10,064 million (compared to HUF 7,352 million in 2022).

**Depreciation charge of right-of-use assets:**

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| Buildings | (426) | (357) |
| Machinery | (2) | (3) |
| Vehicles | (481) | (293) |
| **Total** | **(909)** | **(653)** |

The separate income statement includes HUF 79 million expenses from short-term, low-value and variable lease payments.

# 6. Net financial result

The Company is translating its foreign currency monetary assets and liabilities to the year-end exchange rate on individual item level, which is presented in the Income Statement separately as Finance income or Finance costs. Since Management of the Company is analysing these translation differences on net basis, balances are presented on net basis as follows:

| | 2023<br>HUFm | 2022<br>HUFm |
|---|---|---|
| **Unrealised financial items** | **(15,398)** | **(1,988)** |
| Exchange (loss) on foreign currency on trade receivables and trade payables | (3,412) | (7,196) |
| (Loss)/gain on foreign currency loans receivable | (4,091) | 7,387 |
| Year-end foreign exchange translation difference of borrowings | (194) | - |
| (Loss)/gain on foreign currency securities | (236) | 1,391 |
| Exchange (loss) on other currency related items | (612) | (513) |
| Result of unrealised forward exchange contracts | (231) | 10 |
| Unrealised (loss) of cash-flow hedge (reclassification from OCI) | (277) | - |
| Impairment (loss)/reversal on investments (Note 15, 16) | (169) | 1,774 |
| Impairment (loss) on securities | (2,375) | (297) |
| Unwinding of interest on interest-free loans | 231 | 118 |
| Result related to contingent-deferred purchase price liabilities | (32) | (46) |
| Interest expenses related to IFRS 16 standard | (170) | (106) |
| Exchange difference related to IFRS 16 standard | 103 | (93) |
| Unrealised fair value difference on financial instruments | (3,933) | (4,417) |
| **Realised financial items** | **8,606** | **30,825** |
| Exchange (loss)/gain realised on trade receivables and trade payables | (17,166) | 23,929 |
| Foreign exchange difference on conversion of cash | (1,940) | 1,840 |
| Dividend income | 7,145 | 4,612 |
| Interest income | 27,064 | 17,057 |
| Interest expense | (14,525) | (7,256) |
| Realised (loss)/gain of derecognition of investments | - | 230 |
| Realised gain/(loss) of forward exchanges | 6,524 | (6,380) |
| Realised gain/(loss) of cash-flow hedge (reclassification from OCI) | 3,458 | (95) |
| Result of sale and derecognition of debt and equity instruments | (1,954) | (3,112) |
| **Total** | **(6,792)** | **28,837** |

The net finance loss was HUF 6,792 million in 2023, while in 2022 there was a finance gain of HUF 28,837 million.

In 2023, Richter reported impairment of additional HUF 1,317 million in respect of GR Columbia S.A.S. after recording HUF 946 million in the reference year. In 2023, a reversal of impairment of HUF 2,821 million was recognised on the investment in GR Mexico SAPI (in 2022 HUF 2,734 million). In 2023 an impairment of HUF 1,624 million was recognised on the investment in Evestra Inc. For more information see Note 15 and 16.

In 2023 an impairment of HUF 2,375 million was recognised on the debt instruments (in 2022 HUF 296 million). For more information see Note 19, 26 and 27.

The 2023 unrealized financial items were significantly affected by the 3.86 RUB/HUF, the 346.44 USD/HUF and 382.78 EUR/HUF exchange rates related translation on 31 December 2023. See the results of the foreign sensitivity tests in Note 9.

The unrealised fair value difference on financial instruments was HUF 3,933 million loss in 2023, which consist of HUF 14,827 million gain for government securities and corporate bonds, HUF 12,043 million loss for debt on issue of bond, HUF 1,129 million loss for derivatives and HUF 5,588 million loss for other financial asset. In 2022 this fair value difference was HUF 4,417 million loss.

Realized foreign exchange loss from trade receivables, payables and other items were HUF 17,166 million as opposed to HUF 23,929 million gain in the preceding year. The aggregate loss contributed HUF 41,095 million to a year-on-year increase in earnings.

Dividend income contributed HUF 7,145 million to the 2022 financial income, HUF 2,533 million higher than HUF 4,612 million realized in 2022.

From 2021, the Company enters into cash-flow hedging transactions. In 2023, it realized financial gain of HUF 3,458 million, in 2022, it realized financial loss of HUF 95 million.

In addition to this, the Company also concludes futures transactions for trading purposes. In 2023, on these transactions the Company realized HUF 6,524 million financial gain. The reason for this was primarily the change in the USD and EUR exchange rate. In 2022, on these transactions the Company realized HUF 6,380 million financial loss.

During the current year, some of the US Treasury Bills were sold from the debt instruments valued at AC. Financial loss of HUF 1,954 million was generated from the exchange rate difference realized at the disposal. In 2022, on the sale of debt instruments (government bonds) were realized loss of HUF 3,112 million.

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



# 7. Income tax expense

**Accounting policy**

Tax expense for the period comprises current and deferred tax.

The Company considers the following taxes to qualify to be income tax:
- Corporate Income Tax,
- Local Business Tax,
- Innovation Contribution.

In case the Company is eligible for investment tax credit, the accounting treatment of which is analogous to tax credits under IAS 12. Accordingly, a deferred tax asset is recognized for the investment tax credits in the amount which will be recovered in future periods.

| | 2023 HUFm | 2022 Restated** HUFm |
|---|---|---|
| Corporate income tax | (877) | (2,301) |
| Local business tax | (5,175) | (5,351) |
| Innovation contribution | (782) | (809) |
| **Current tax** | **(6,834)** | **(8,461)** |
| Deferred tax (Note 20) | (517) | 10,780 |
| **Income tax*** | **(7,351)** | **2,319** |

* The tax rate reconciliation includes the effect of both self-revision and tax paid abroad.
**See Note 50 on the details of restatement.

In 2023, the average effective tax rate calculated on the basis of the current tax is 3.5% and 3.8% taking into account the effect of deferred tax as well (In 2022: 4.6% and -1.3%). The corporate income tax rate effective in 2023 and in 2022 is 9%.

Amount of tax losses by maturity:

| | Year of arising | Year of expiry | HUFm |
|---|---|---|---|
| | 2017 | 2022 | 28,899 |
| | 2018 | 2023 | 15,669 |
| | 2019 | 2024 | 9,461 |
| **Total** | | | **54,029** |
| | **Utilization** | | **HUFm** |
| | 2020 | | 8,782 |
| | 2021 | | 13,715 |
| | 2022 | | 31,532 |
| **Total** | | | **54,029** |

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

Tax rate reconciliation

| | 2023 HUFm | 2022 Restated*** HUFm |
|---|---|---|
| **Profit before income tax** | **194,252** | **182,490** |
| Tax calculated based on statutory corporate income tax rate* | 17,483 | 16,424 |
| *Tax effects of:* | | |
| Dividend income not subject to taxation | (643) | (415) |
| Royalty tax incentive | (8,476) | (6,768) |
| R&D tax incentives** | (5,293) | (5,085) |
| Expense not deductible for tax purposes | 261 | 291 |
| Local business tax and innovational contribution | 5,412 | 5,600 |
| Other income taxes | 349 | 2,079 |
| Deferred tax asset from the previous years, which recognised due to return in this year | - | (13,495) |
| Other, individually insignificant items | 119 | (35) |
| Investment tax credit | (1,861) | (915) |
| **Tax charge** | **7,351** | **(2,319)** |

* In 2023 and 2022 the tax rate applied is 9%.
** These expenditures can be deducted twice from the current years result to get the taxable profit (qualifying R&D expenses).
*** See Note 50 on the details of restatement.

Investment tax credit

The Company would like to use investment tax credit in the amount of HUF 2,160 million regarding three projects in Budapest:
- Modernization of R&D related asset park (ending date: 2023);
- Expansion of manufacturing capacity of sterile pharmaceutical products (ending date: 2020);
- Expansion of manufacturing capacity of solid pharmaceutical products (ending date: 2020).

The equipment that formed part of all three projects was commissioned.

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

Following a significant improvement in the financial performance, the Company determined that sufficient taxable profits will be available and the investment tax credit can be utilised.

Accounting treatment of the tax credit

The Company assessed this tax credit to be an investment tax credit and applied the analogy of tax credits described in IAS 12 para 34-36 and recognized any deferred tax accordingly.

Tax authority audits

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

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

The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

## 8. Consolidated earnings per share

As of 31 December 2023 and 31 December 2022 there are no potential dilutive instruments issued by the Group, that would modify the basic EPS.

| **EPS (basic and diluted)** | **2023** | **2022** Restated* |
|---|---|---|
| Net consolidated profit attributable to owners of the parent (HUFm) | 158,850 | 169,076 |
| Weighted average number of ordinary shares outstanding (thousands) | 184,769 | 186,333 |
| **Earnings per share (HUF)** | **860** | **907** |

* See Note 50 on the details of restatement.

# 9. Financial instruments

This note provides information about the Company's financial instruments, including the followings:

- Relevant Accounting policies
- An overview of all the financial assets and financial liabilities held by the Company
- Information about the Company's financial risk and capital management.

**Accounting policy**

*Financial assets*

The Company reports its financial assets as:

A) Debt instruments measured at amortised cost

- Loan receivables
- Government securities, corporate bonds and long-termed deposits

In case of capital contribution, the Company implicitly presents the transaction as debt instrument.

B) Debt instruments and Equity instruments measured at fair value through OCI

The Company has debt instruments (government securities, corporate bonds) managed under a different business model as a non-current financial assets at FVOCI, based on that the business model is achieved by both collecting contractual cash-flows and selling financial assets ("hold & sell" business model), and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
The Company recognised equity instruments as financial assets at FVOCI and applies the fair value option for these instruments, which are investments in Exchange Traded Funds (ETF). If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI.

C) Debt instruments designated at fair value through profit or loss using fair value option

The Company has chosen the fair value option for certain financial instruments (government and corporate bonds which related to interest rate swap), i.e. it recognizes the financial asset or financial liability at fair value through profit or loss if it eliminates or materially reduces recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option. The use of the fair value option also provides more relevant information about financial instruments in the financial statements. The fair value option is not applied to all financial assets or liabilities, but only to certain financial instruments designated by the Company at initial recognition. The Company irrevocably decides to exercise the fair value option at initial measurement to these designated items.

**Impairment**

Credit loss allowance for ECL: The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information. Historical loss rates are determined by the Company based on the payment experience of the previous 3 years. Defining forward-looking information, the Company takes into account the change in the Probability of Default (PD) of the receivables with the largest receivable amount (based on market information) and thus corrects historical loss rates. The impact of forward-looking information on impairment is not significant.

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

*Financial liabilities*

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The transactions of issue of the bond and fixed interest rate swaps were concluded at the same time.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities constituting trade payables are described separately in Note 37. Trade payables.

The Company holds the following financial assets and liabilities. It does not include fair value information for financial assets and liabilities measured amortised cost if the carrying amount is a reasonable approximation of fair value.

| | Notes | Carrying value | | Fair value | |
|---|---|---|---|---|---|
| | | 31 Dec. 2023 HUFm | 31 Dec. 2022 HUFm | 31 Dec. 2023 HUFm | 31 Dec. 2022 HUFm |
| **Financial assets[1]** | | | | | |
| **Financial assets measured at fair value** | | | | | |
| *Financial assets measured at fair value through OCI* | | | | | |
| Government securities, corporate bonds (debt)[2] | 19, 27 | 28,346 | 28,979 | 28,346 | 28,979 |
| Equity instruments | 19 | 36,326 | 35,318 | 36,326 | 35,318 |
| Investments | 19 | 45 | 45 | 45 | 45 |
| | | **64,717** | **64,342** | **64,717** | **64,342** |
| *Financial assets measured at fair value through profit or loss* | | | | | |
| Government securities, corporate bonds[2] - designated as at FVTPL at initial recognition | 18 | 75,839 | 61,715 | 75,839 | 61,715 |
| Other financial asset (Mycovia) | 18 | 0 | 6,009 | 0 | 6,009 |
| Derivative financial instruments | 11 | 15,075 | 30,559 | 15,075 | 30,559 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 11 | 10,914 | 3,041 | 10,914 | 3,041 |
| | | **101,828** | **101,324** | **101,828** | **101,324** |
| **Financial assets measured at amortised cost** | | | | | |
| Government securities, corporate bonds (debt) | 17 | 6,073 | 40,594 | 6,009 | 40,139 |
| Loans receivable[3] | 17, 26 | 54,364 | 79,921 | 54,364 | 79,921 |
| Trade receivables | 24 | 278,015 | 210,285 | 278,015 | 210,285 |
| Cash and cash equivalents | 29 | 52,857 | 51,385 | 52,857 | 51,385 |
| | | **391,309** | **382,185** | **391,245** | **381,730** |
| **Financial liabilities** | | | | | |
| **Financial liabilities measured at fair value** | | | | | |
| *Financial liabilities measured at FVTPL* | | | | | |
| Debt on the issue of bonds | 32, 39 | (53,840) | (41,068) | (53,840) | (41,068) |
| Derivative financial instruments | 11 | (11,401) | (25,525) | (11,401) | (25,525) |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 11 | (947) | (4,745) | (947) | (4,745) |
| Other financial liabilities | 32, 39 | (4,390) | (4,190) | (4,390) | (4,190) |
| | | **(70,578)** | **(75,528)** | **(70,578)** | **(75,528)** |
| **Financial liabilities measured at amortised cost** | | | | | |
| Borrowings | 36 | (22,762) | (1,205) | (22,762) | (1,205) |
| Trade payables | 37 | (52,521) | (49,836) | (52,521) | (49,836) |
| Lease liabilities | 33 | (3,225) | (1,958) | (3,225) | (1,958) |
| | | **(78,508)** | **(52,999)** | **(78,508)** | **(52,999)** |

[1] All financial assets are free from liens and charges.
[2] The fair value of interest swap rates and commodity swaps was discounted to present value by the Company using the available interest rate curve and forward/futures prices on the market. In case of those corporate bonds, which are recognised under the fair value option or in the absence of a quoted market price, the present value was determined using the discounted cash-flow (DCF) method. Based on the mentioned valuation techniques the financial instruments were assigned to Level 2 and Level 3 category.
[3] There is not significant different between the carrying value and fair value of the loans receivable

Above mentioned different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (government bonds, corporate bonds, ETFs).

Level 2: Inputs other than quoted prices included within Level 1 that are observable at the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices – foreign currency forwards, commodity swaps, debt instruments which calculated with DCF method).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs – venture capital and other financial investments, debt instruments for which no quoted market price is available)

## 9.1 Financial risk management

Gedeon Richter Plc. has identified its relevant financial risks that are continuously monitored and evaluated by Management of the Company. The Company focuses on capital structure, foreign currency related-, credit and collection related- and liquidity risk.

### Market risk

**Interest rate risk**
As stated in Note 36, the amount of total borrowings of the Company is not significant, therefore the interest rate risk is negligible.

**Security price risk**
The Company holds various securities including fixed and floating rate; HUF, EUR and USD denominated government and corporate bonds and EUR denominated ETFs (Exchange-Traded Fund) of corporate bonds. Most of these securities are booked at fair value therefore price fluctuation creates security price risks. In order to reduce price fluctuation risks, almost half of fixed rate EUR bonds are hedged through interest rate swaps.

**Foreign currency risk**
Significant part of the Company's revenues are denominated in currencies other than the functional and the presentation currency, therefore it faces the risk of currency rate fluctuation. In order to decrease this volatility of the financial result the company conducts USD FX roll forward deals for a part of the planned income.

In December 2021, the management decided to change its risk management policy in connection with these deals since that the Company applies hedge accounting. The purpose of hedge accounting is to mitigate the impact of potential volatility in the Income Statement of the Company due to the currency risk of highly probable future foreign currency cash-flows (royalty income) by matching the impact of the hedged item and the hedging instrument in the Income Statement.

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

The Company applied this hedging policy and accounting method during the Cash-Flow hedging settlement in 2023 and will continue to apply it in the following years as well.

**Energy market price risks**

**Natural gas (TTF and EUR)**
Gedeon Richter Plc. is a production company with dominant energy costs. The component of energy risk (TTF prices), which brings unnecessary variability to the development of the result, must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the variability resulting from this energy risk (TTF prices).

In order for the Company to achieve this goal, it systematically manages the impact of energy exposure on a monthly basis from October 2023 to December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with its risk management strategy, the Company intends to cover the market exchange rate risk arising from the 80% - 100% volume range of the planned monthly natural gas purchase.

The Company enters into hedging transactions because it buys large quantities of the natural gas required for production. Since the movement of the market price of natural gas can significantly affect the Company's result, in order to achieve the profit level defined in the annual plan, it is necessary to

reduce the volatility that affects the accounting result due to natural gas price fluctuations (TTF prices).
The purpose of the hedging transaction is to mitigate the market price risk of 80% - 100% of the expected monthly natural gas consumption with derivative transactions (commodity SWAP floating to fix), by fixing the price in a commodity swap contract, thus reducing the exposure to fluctuations in the market price of natural gas (TTF prices).

Natural gas is paid in EUR, mitigating currency risk is also part of the hedging strategy, but it was developed in separate hedge documentation.

Gedeon Richter Plc. is a production company whose energy costs (natural gas) are predominantly displayed in EUR. The component of the currency risk that brings unnecessary volatility to the development of the result must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the volatility resulting from this currency risk.
In order for the Company to achieve this goal, it systematically manages the impact of currency exposure on a monthly basis from October 2023 to December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with the Company's risk management strategy, the planned monthly natural gas purchase is 50%-100% range of the invoice value and the amount fixed by the TTF commodity swap transaction (according to the separate hedge documentation, at least 50% of the foreign currency amount marked as the product of the fixed market price (with commodity swap) and the planned quantity) wishes to cover an exchange rate risk of foreign currency (EUR).

The Company buys large quantities of natural gas for its production. Since the natural gas invoices include items denominated in EUR, the used market price (TTF) natural gas is paid in EUR, the Company is therefore exposed to a foreign exchange risk. In order to achieve the profit level defined in the annual plan, it is necessary to reduce the volatility that affects the accounting result due to exchange rate fluctuations (EUR).
The purpose of the hedging transaction is to mitigate the foreign exchange risk of the market price (invoice value + commodity SWAP transaction difference) fixed by the commodity SWAP transaction by at least 50% (50%-100% range) of the expected monthly natural gas consumption with derivative transactions (FX forward), by fixing the price in a forward contract, thereby reducing exposure to natural gas foreign exchange rate fluctuations (EUR).

The Company manages the hedging policy designed to measure risks from energy-related market TTF and EUR currency exchange rates under cash-flow hedge accounting.

**Electricity (EUR)**
Gedeon Richter Plc. is a production company whose energy costs (electricity) are predominantly displayed in EUR. The component of the currency risk that brings unnecessary volatility to the development of the result must be managed. The aim of Gedeon Richter Plc.'s risk management is to reduce the volatility resulting from this currency risk.
In order for the Company to achieve this goal, it systematically manages the impact of currency exposure on a monthly basis from January 2024 until December 2024.
The hedging program is non-speculative, meaning that only existing risk is hedged. In accordance with its risk management strategy, the Company intends to cover the foreign exchange risk arising from the range 50%-100% of the invoice value (fixed price in EUR/MWh) of the planned monthly electricity purchase.

The Company buys a large amount of electricity (MWh) for its production. Since the electricity bills include items denominated in EUR, the electricity used at a fixed price is paid in EUR, the Company is therefore exposed to a currency risk. In order to achieve the profit level defined in the annual plan, it is necessary to reduce the volatility that affects the accounting result due to exchange rate fluctuations (EUR).
The purpose of the hedging transaction is to mitigate the foreign exchange risk of at least 50% (50%-100% range) of the expected monthly electricity consumption with derivative transactions (FX forward), by fixing the price in a forward contract, thus reducing the exposure of the electricity bill to currency exchange rate fluctuations (EUR).

The Company manages the hedging policy designed to measure risks from EUR currency exchange rates under cash-flow hedge accounting.

**Foreign exchange sensitivity of profit**
The Company does business in a number of regions and countries with different currencies. The most typical foreign currencies are EUR, USD, from 2011 PLN, RON, RUB, CHF, from 2015 KZT, from 2017 the CNY, from 2021 the CZK. The calculation of exposure to foreign currencies is based on these nine currencies.

The foreign currency risk management calculation is based on those balances which are exposed to exchanges of foreign currencies. Management assumes changes in exchange rates and analysis the risk of these changes on the profit.

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

The table below presents the effect of the change in the average foreign currency rate on the profit from operation and on the profit for the year:

| **2023** | | | **Exchange rates** | | | | | | | | Effect on profit from operation | Effect on profit before income tax for the year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/HUF | USD/HUF | EUR/USD | PLN/HUF | RON/HUF | RUB/HUF | CHF/HUF | KZT/HUF | CZK/HUF | CNY/HUF | HUFm | HUFm | |
| **110%** | **420.18** | | | | | | | | | | | | |
| | | **388.70** | **1.08** | **88.18** | **80.99** | **4.77** | **424.54** | **0.81** | **16.72** | **52.08** | **34,372** | **33,484** | **largest growth** |
| | | 353.36 | 1.19 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | 579 | 1,240 | |
| | | 318.02 | 1.32 | 79.78 | 73.27 | 3.91 | 384.10 | 0.73 | 15.12 | 47.12 | (33,215) | (31,004) | |
| **100%** | **381.98** | | | | | | | | | | | | |
| | | 388.70 | 0.98 | 88.18 | 80.99 | 4.77 | 424.54 | 0.81 | 16.72 | 52.08 | 33,794 | 32,244 | |
| | | 353.36 | 1.08 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | 0 | 0 | |
| | | 318.02 | 1.20 | 79.78 | 73.27 | 3.91 | 384.10 | 0.73 | 15.12 | 47.12 | (33,794) | (32,244) | |
| **90%** | **343.78** | | | | | | | | | | | | |
| | | 388.70 | 0.88 | 88.18 | 80.99 | 4.77 | 424.54 | 0.81 | 16.72 | 52.08 | 33,215 | 31,004 | |
| | | 353.36 | 0.97 | 83.98 | 77.13 | 4.34 | 404.32 | 0.77 | 15.92 | 49.60 | (579) | (1,240) | |
| | | **318.02** | **1.08** | **79.78** | **73.27** | **3.91** | **384.10** | **0.73** | **15.12** | **47.12** | **(34,372)** | **(33,484)** | **greatest decrease** |

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

| **2022** | | | **Exchange rates** | | | | | | | | Effect on profit from operation | Effect on profit before income tax for the year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/HUF | USD/HUF | EUR/USD | PLN/HUF | RON/HUF | RUB/HUF | CHF/HUF | KZT/HUF | CZK/HUF | CNY/HUF | HUFm | HUFm | |
| **110%** | **433.05** | | | | | | | | | | | | |
| | | **413.18** | **1.05** | **87.29** | **83.11** | **6.34** | **433.44** | **0.86** | **16.73** | **57.99** | **31,020** | **33,007** | **largest growth** |
| | | 375.62 | 1.15 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | 2,307 | 3,362 | |
| | | 338.06 | 1.28 | 78.97 | 75.19 | 5.18 | 392.16 | 0.78 | 15.13 | 52.47 | (26,406) | (26,283) | |
| **100%** | **393.68** | | | | | | | | | | | | |
| | | 413.18 | 0.95 | 87.29 | 83.11 | 6.34 | 433.44 | 0.86 | 16.73 | 57.99 | 28,713 | 29,645 | |
| | | 375.62 | 1.05 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | 0 | 0 | |
| | | 338.06 | 1.16 | 78.97 | 75.19 | 5.18 | 392.16 | 0.78 | 15.13 | 52.47 | (28,713) | (29,645) | |
| **90%** | **354.31** | | | | | | | | | | | | |
| | | 413.18 | 0.86 | 87.29 | 83.11 | 6.34 | 433.44 | 0.86 | 16.73 | 57.99 | 26,406 | 26,283 | |
| | | 375.62 | 0.94 | 83.13 | 79.15 | 5.76 | 412.80 | 0.82 | 15.93 | 55.23 | (2,307) | (3,362) | |
| | | **338.06** | **1.05** | **78.97** | **75.19** | **5.18** | **392.16** | **0.78** | **15.13** | **52.47** | **(31,020)** | **(33,007)** | **greatest decrease** |

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

Based on the annual average currency rate sensitivity analysis of 2023, the combination of weak Hungarian Forint – (420.2 EUR/HUF, 388.7 USD/HUF, 88.2 PLN/HUF, 80.1 RON/HUF, 4.8 RUB/HUF, 424.5 CHF/HUF, 0.8 KZT/HUF, 16.7 CZK/HUF and 52.1 CNY/HUF) against other currencies – would have caused the largest growth in the amount of HUF 34,372 million on the Company's operating profit and HUF 33,484 million on the Company's profit before income tax for the year.
The greatest decrease of HUF 34,372 million on operating and HUF 33,484 million on profit before income tax for the year was caused by the combination of exchange rates of 343.8 EUR/HUF, 318.0 USD/HUF, 79.8 PLN/HUF, 73.3 RON/HUF, 3.9 RUB/HUF, 384.1 CHF/HUF, 0.7 KZT/HUF, 15.1 CZK/HUF and 47.1 CNY/HUF against other currencies.

### Currency sensitivity of balance sheet items

Currency sensitivity analysis of balance sheet items is applied to third party trade receivables and trade payables, bank accounts in foreign currency, loans receivable, borrowings, lease liabilities, financial assets and financial liabilities. The effect of the risk arising from currency fluctuation is measured by different scenarios regarding the exchange rates similarly to the currency sensitivity of actual cost. Recently, Management has experienced higher sensitivity in case of certain currencies, therefore these currencies have been diverted more when determining the exchange rate combinations (EUR, USD, RUB +/- 10%)

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

| 2023 | Exchange rates | | | | | | | | | | Effect on net financial position | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/HUF | USD/HUF | EUR/USD | CHF/HUF | RUB/HUF | RON/HUF | PLN/HUF | KZT/HUF | CZK/HUF | CNY/HUF | HUFm | |
| **110%** | **421.06** | | | | | | | | | | | |
| | | **381.08** | **1.10** | **432.89** | **4.25** | **80.80** | **92.44** | **0.80** | **16.25** | **51.16** | **31,990** | **best case scenario** |
| | | 346.44 | 1.22 | 412.28 | 3.86 | 76.95 | 88.04 | 0.76 | 15.48 | 48.72 | 8,955 | |
| | | 311.80 | 1.35 | 391.67 | 3.47 | 73.10 | 83.64 | 0.73 | 14.71 | 46.28 | (14,080) | |
| 100% | 382.78 | | | | | | | | | | | |
| | | 381.08 | 1.00 | 432.89 | 4.25 | 80.80 | 92.44 | 0.80 | 16.25 | 51.16 | 23,035 | |
| | | 346.44 | 1.10 | 412.28 | 3.86 | 76.95 | 88.04 | 0.76 | 15.48 | 48.72 | 0 | |
| | | 311.80 | 1.23 | 391.67 | 3.47 | 73.10 | 83.64 | 0.73 | 14.71 | 46.28 | (23,035) | |
| **90%** | **344.50** | | | | | | | | | | | |
| | | 381.08 | 0.90 | 432.89 | 4.25 | 80.80 | 92.44 | 0.80 | 16.25 | 51.16 | 14,080 | |
| | | 346.44 | 0.99 | 412.28 | 3.86 | 76.95 | 88.04 | 0.76 | 15.48 | 48.72 | (8,955) | |
| | | **311.80** | **1.10** | **391.67** | **3.47** | **73.10** | **83.64** | **0.73** | **14.71** | **46.28** | **(31,990)** | **worst case scenario** |

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

| 2022 | | | | | Exchange rates | | | | | | Effect on net financial position | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| * | EUR/HUF | USD/HUF | EUR/USD | CHF/HUF | RUB/HUF | RON/HUF | PLN/HUF | KZT/HUF | CZK/HUF | CNY/HUF | HUFm | |
| **110%** | **440.28** | | | | | | | | | | | |
| | | **413.25** | **1.07** | **427.28** | **5.67** | **84.92** | **89.62** | **0.86** | **17.41** | **56.89** | **29,772** | **best case scenario** |
| | | 375.68 | 1.17 | 406.93 | 5.15 | 80.88 | 85.35 | 0.81 | 16.58 | 54.18 | 9,362 | |
| | | 338.11 | 1.30 | 386.58 | 4.64 | 76.84 | 81.08 | 0.77 | 15.75 | 51.47 | (11,048) | |
| 100% | 400.25 | | | | | | | | | | | |
| | | 413.25 | 0.97 | 427.28 | 5.67 | 84.92 | 89.62 | 0.86 | 17.41 | 56.89 | 20,410 | |
| | | 375.68 | 1.07 | 406.93 | 5.15 | 80.88 | 85.35 | 0.81 | 16.58 | 54.18 | 0 | |
| | | 338.11 | 1.18 | 386.58 | 4.64 | 76.84 | 81.08 | 0.77 | 15.75 | 51.47 | (20,410) | |
| **90%** | **360.23** | | | | | | | | | | | |
| | | 413.25 | 0.87 | 427.28 | 5.67 | 84.92 | 89.62 | 0.86 | 17.41 | 56.89 | 11,048 | |
| | | 375.68 | 0.96 | 406.93 | 5.15 | 80.88 | 85.35 | 0.81 | 16.58 | 54.18 | (9,362) | |
| | | **338.11** | **1.07** | **386.58** | **4.64** | **76.84** | **81.08** | **0.77** | **15.75** | **51.47** | **(29,772)** | **worst case scenario** |

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

The worst case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CZK and CNY weaken against HUF. In this case the financial result would decrease by HUF 31,990 million.
The best case scenario is when EUR, USD, PLN, RON, RUB, CHF, KZT, CZK and CNY would strengthen against HUF. In this case the financial result would increase by HUF 31,990 million.

The Company's exposure to foreign currency risk at the end of the reporting period, were as follows:

| **2023** | | | | **Currencies** | | | | | (all amounts in HUFm) |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CHF | RUB | RON | PLN | KZT | CZK | CNY |
| Loans receivable | 30,527 | 15,824 | 2,455 | 3,928 | - | 2,462 | - | - | - |
| Trade receivables | 47,958 | 175,394 | 413 | 7,870 | 5,191 | 6,963 | 7,878 | 2,120 | 6,412 |
| Financial assets | 39,242 | - | - | - | - | - | - | - | - |
| Other receivables | - | 880 | - | - | - | - | - | - | - |
| Bank deposits | 22,271 | 18,104 | 118 | 481 | 2,276 | 1,236 | 168 | 900 | 1,002 |
| Trade payables | (21,073) | (5,044) | (1,417) | (307) | (410) | (2,183) | (321) | (446) | (2,437) |
| Borrowings | (21,525) | - | - | - | - | - | - | - | - |
| Lease liabilities | (1,796) | (162) | - | (62) | - | - | (2) | - | - |
| Other liabilities | (6,053) | (1,368) | (31) | (164) | (942) | (1,322) | - | (10) | (128) |
| **Total** | **89,551** | **203,628** | **1,538** | **11,746** | **6,115** | **7,156** | **7,723** | **2,564** | **4,849** |

| **2022** | | | | **Currencies** | | | | | (all amounts in HUFm) |
|---|---|---|---|---|---|---|---|---|---|
| | EUR | USD | CHF | RUB | RON | PLN | KZT | CZK | CNY |
| Loans receivable | 38,692 | 8,259 | 2,551 | 19,963 | - | 1,873 | - | - | - |
| Trade receivables | 49,048 | 116,865 | 395 | 3,078 | 4,140 | 5,303 | 9,212 | 2,483 | 4,966 |
| Financial assets | 34,064 | 28,182 | - | - | - | - | - | - | - |
| Other receivables | - | 10,678 | - | - | - | - | - | - | - |
| Bank deposits | 3,916 | 8,707 | 45 | 955 | 8 | 1,086 | 1,029 | 500 | 1,943 |
| Trade payables | (24,630) | (2,521) | (1,316) | (462) | (267) | (2,190) | (240) | (509) | (2,614) |
| Lease liabilities | (457) | (205) | - | (101) | - | - | - | - | - |
| Other liabilities | (7,013) | (2,491) | (30) | (104) | (900) | (808) | - | (13) | (50) |
| **Total** | **93,620** | **167,474** | **1,645** | **23,329** | **2,981** | **5,264** | **10,001** | **2,461** | **4,245** |

## Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.
The Company assesses the solvency and creditworthiness risk of its customers, determining the payment structure, payment terms and the scope of collateral required. The Company monitors its customers' receivables, in particular with regard to overdue exposures, and the validity and enforceability of collateral, in order to avoid credit losses. If the amount of the available contractual credit limit or credit line is exceeded by the customers, the shipments on credit can be suspended by the Company. The Company does business with key customers in many countries. These customers are major import distributors in their countries and management of the Company maintains close contact with them on an ongoing basis. In 2023 there is only one customer (AbbVie) where the turnover exceeds 10% of total revenues. The revenue is royalty related to Vraylar®.

The following securities are applied to minimize the credit risk.

| Regions | Trade receivables secured as at 31 December 2023 | Type of security<br>Credit insurance* | <br>Bank guarantee | <br>L/C |
|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm |
| CIS | 10,665 | 7,327 | 3,338 | - |
| EU | 291 | - | 291 | - |
| USA | - | - | - | - |
| China | 4,207 | 4,207 | - | - |
| Latin America | 69 | 69 | - | - |
| Other | 614 | 458 | - | 156 |
| **Total** | **15,846** | **12,061** | **3,629** | **156** |

| Regions | Trade receivables secured as at 31 December 2022 | Type of security<br>Credit insurance* | <br>Bank guarantee | <br>L/C |
|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm |
| CIS | 6,931 | 5,614 | 1,317 | - |
| EU | 305 | - | 305 | - |
| USA | - | - | - | - |
| China | 4,966 | 4,966 | - | - |
| Latin America | 26 | 26 | - | - |
| Other | 2,008 | 1,783 | 28 | 197 |
| **Total** | **14,236** | **12,389** | **1,650** | **197** |

*The balance of trade receivables included in the (export credit) insurance program is presented as secured portfolio as at the balance sheet date, regardless of whether its risk related to non-payment is additionally secured by other instruments or not.

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit ratings assigned by international rating agencies presented below. The credit rating of the most significant banks based on Moody's, Standard and Poor's and FitchRatings international credit rating institutes are the followings:

| | 31 December 2023 | | | 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Moody's | S&P | FitchRatings | Moody's | S&P | FitchRatings |
| Banca Commerciala Romana SA | Baa1 | - | BBB+ | Baa1 | - | BBB+ |
| Bank of China Ltd. Hungarian Branch* | A1 | A | A | A1 | A | - |
| BNP Paribas Hungarian Branch* | Aa3 | A+ | A+ | Aa3 | A+ | - |
| CIB Bank Zrt. | - | - | BBB | - | - | BBB |
| Citibank N.A. | Aa3 | A+ | A+ | Aa3 | A+ | - |
| Commerzbank AG Frankfurt | A1 | A- | WD | A1 | - | - |
| Erste Bank Hungary Zrt. | A3 | - | BBB+ | Baa1 | - | BBB+ |
| ING Bank N.V. Hungarian Branch* | Aa3 | A+ | AA- | Baa1 | A+ | A+ |
| J.P. Morgan AG | - | A+ | AA | Aa1 | A+ | AA |
| K&H Bank Zrt. | A3u | - | BBB+ | Baa1 | - | BBB+ |
| KDB Bank Európa Zrt. (ultimate parent – Korea Development Bank)* | Aa2 | AA | AA- | Aa2 | AA | AA- |
| | | BBB | | | | |
| OTP Bank Nyrt. | Baa1 | - | - | Baa1 | BBB- | - |
| OJSC OTP Bank Russia | WR | - | WD | - | - | WD |
| Raiffeisen Bank Zrt.* | A3 | - | - | A3 | - | - |

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

Between January 1, 2023, and December 31, 2023 the Company hold its cash and cash equivalent at the above mentioned banks. The bond portfolio of the Company was hold at custodian banks also listed above. The other bank relations of the Company are widely dispersed, therefore the credit exposure with one financial institution is limited, the exposure towards a given bank is determined by the internal regulation.

## Liquidity risk

Cash-flow forecasting is performed and updated on a monthly basis based on actual data. Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing plans and covenant compliance. Company treasury invests surplus cash in interest bearing current accounts, time deposits, investment funds and marketable securities.

The liquidity risk of the Company was limited in 2023, since the Current asset were higher than the total liabilities. In 2023, the stock of financial assets increased due to the continuous renegotiation of standard derivative contracts (e.g. forward contracts) used by the Company for hedging purposes (see Note 11). These transactions resulted in a significant growth of financial assets.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash-flows of financial liabilities based on the earliest date on which Gedeon Richter Plc. can be required to pay. The table includes both interest and principal cash-flows. To the extent that interest cash-flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

| **Contractual maturities of financial liabilities** | **Notes** | **Less than 3 months** | **Between 3 months and 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash-flows** | **Carrying amount** |
|---|---|---|---|---|---|---|---|---|
| **at 31 December 2023** | | | | | | | | |
| **Non-derivatives** | | | | | | | | |
| Trade payables | 37 | 52,025 | 457 | 25 | 14 | - | **52,521** | 52,521 |
| Lease liabilities | 33 | 294 | 813 | 1,720 | 744 | 46 | **3,617** | 3,225 |
| Borrowings | 36 | 11,125 | 11,637 | - | - | - | **22,762** | 22,762 |
| Debt on the issue of bonds | 32, 39 | - | 1,225 | 1,225 | 10,675 | 65,940 | **79,065** | 53,840 |
| **Total non-derivatives** | | **63,444** | **14,132** | **2,970** | **11,433** | **65,986** | **157,965** | **132,348** |
| **Derivatives** | | | | | | | | |
| Interest rate and commodity swap | 11 | (359) | (1,037) | (788) | (2,058) | (4,601) | **(8,843)** | 3,700 |
| Gross settled (foreign currency forwards and commodity swaps – cash-flow hedges) – gross outflows | 11 | 29,196 | 75,953 | 32,245 | - | - | **137,394** | 9,967 |
| Trading derivatives (foreign currency forwards) – gross outflows | 11 | 29,000 | - | - | - | - | **29,000** | (26) |
| **Total derivatives** | | **57,837** | **74,916** | **31,457** | **(2,058)** | **(4,601)** | **157,551** | **13,641** |

| **Contractual maturities of financial liabilities** | **Notes** | **Less than 3 months** | **Between 3 months and 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total contractual cash-flows** | **Carrying amount** |
|---|---|---|---|---|---|---|---|---|
| **at 31 December 2022** | | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Non-derivatives** | | | | | | | | |
| Trade payables | 37 | 49,395 | 111 | 39 | 291 | - | **49,836** | 49,836 |
| Lease liabilities | 33 | 243 | 487 | 1,053 | 323 | 89 | **2,195** | 1,958 |
| Debt on the issue of bonds | 32, 39 | - | 1,225 | 1,228 | 3,675 | 74,168 | **80,296** | 41,068 |
| **Total non-derivatives** | | **49,638** | **1,823** | **2,320** | **4,289** | **74,257** | **132,327** | **92,862** |
| **Derivatives** | | | | | | | | |
| Interest rate swap | 11 | (10) | 37 | (21) | (76) | 257 | **187** | 4,829 |
| Gross settled (foreign currency forwards – cash-flow hedges) – gross outflows | 11 | 21,410 | 52,117 | 20,507 | - | - | **94,034** | (1,704) |
| Trading derivatives (foreign currency forwards) – gross outflows | 11 | 2,227 | 3,890 | - | - | - | **6,117** | 205 |
| **Total derivatives** | | **23,627** | **56,044** | **20,486** | **(76)** | **257** | **100,338** | **3,330** |

For the year 2023, 87% of cash outflows of the Company's derivatives are treated under hedge accounting. The intention is to cover 50% of the foreign currency denominated cash in-flows (mostly royalty income) therefore the cash outflows occurring during this period do not represent an actual risk for the Company.

Net debt and EBITDA are presented and detailed in Note 9 and Note 41.

The banks of the Company issued the guarantees detailed below, enhancing the liquidity in a way that the Company did not have to provide for these cash amounts:

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Bank guarantee for National Tax and Customs Administration of Hungary – collaterals for customs and excise duty related liabilities | 272 | 273 |
| Other, individually not significant bank guarantees | 101 | 85 |

## 9.2 Capital management

The capital structure of the Company consists of net debt (borrowings as detailed in Notes 36, and debt on issue of bond detailed in Note 32 and 39, furthermore the related derivative financial instruments detailed in Note 11 offset by cash and bank balances in Note 29, and the government securities and corporate bonds invested from the received amount of issue of bond detailed in Note 18, and related derivative financial instruments detailed in Note 11) and equity of the Company (comprising share capital, retained earnings, and other reserves). The net debt structure presents the main changes in financial liabilities and related financial assets.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is pursuing constant dividend policy, providing dividend from the profit to the owners every year. The Board of Directors recommends for the Annual General Meeting the payment of dividend calculated from the Group's IFRS consolidated profit attributable to the owners of the parents, and also taking into account the Company's net cash-flow and the financing needs of the ongoing acquisition projects.
At the time of the approval of the Annual Report, no dividend has been proposed and will be proposed by the Board of Directors at a later date.

The capital risk of the Company was still limited in both 2023 and 2022, since the net debt calculated as below shows surplus in the balance sheet.

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

| | **31 December 2023** | **31 December 2022** Restated** |
|---|---|---|
| | HUFm | HUFm |
| Borrowings (Note 36) * | 22,762 | 1,205 |
| Debt on the issue of bonds (Note 32 and 39) | 53,840 | 41,068 |
| Derivative financial liabilities (interest rate swap) (Note 11) | 11,354 | 25,486 |
| Less: cash and cash equivalents (Note 29) | (52,857) | (51,385) |
| Less: non-current financial assets carried at fair value through profit or loss (Note 41) | (59,082) | (45,983) |
| Less: Derivative financial assets (interest rate swap) (Note 11) | (11,836) | (25,906) |
| **Net debt** | **(35,819)** | **(55,515)** |
| Total equity | 1,130,433 | 1,038,735 |
| **Total capital** | **1,094,614** | **983,220** |
| EBITDA | 242,647 | 191,562 |
| **Net debt to EBITDA ratio** | **(0.15)** | **(0.29)** |
| **Net debt to equity ratio** | **(0.03)** | **(0.05)** |

* Without leases
** See Note 50 on the details of restatement.

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

| | **2023** | **2022** |
|---|---|---|
| | HUFm | HUFm |
| Profit from operations | 201,044 | 153,653 |
| Depreciation (except for right-of-use asset) | 34,458 | 33,297 |
| Dividend income | 7,145 | 4,612 |
| **EBITDA** | **242,647** | **191,562** |

## 9.3 Equity correlation table

According to Note 114/B of Act C of 2000 on Accounting, the annual financial reporting entity according to IFRS compiles an equity correlation table for the reporting date, which is presented as part of the notes.

Our Company fulfils this obligation of presentation below:

| | 31 December 2023<br>HUFm | 31 December 2022<br>Restated*<br>HUFm |
|---|---|---|
| Equity under IFRS | 1,130,433 | 1,038,735 |
| Supplementary payment | (262) | - |
| **Adjusted equity** | **1,130,171** | **1,038,735** |
| Subscribed capital | 18,638 | 18,638 |
| Capital reserve | (9,245) | 18,532 |
| Revaluation reserve | 4,040 | (1,821) |
| Retained earnings | 929,837 | 818,577 |
| Statutory reserve | - | - |
| Post-tax profit or loss | 186,901 | 184,809 |
| **Total equity** | **1,130,171** | **1,038,735** |
| *Thereof:* | | |
| **Registered capital** | **18,638** | **18,638** |
| **retained earnings reserve available for dividend payment per local regulation** | **1,116,738** | **1,003,386** |

* See Note 50 on the details of restatement.



# 10. Fair value of financial instruments

**Accounting policy**

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses unobservable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

a) Recurring fair value measurements
Recurring fair value measurements are those that the accounting standards require or permit in the Balance Sheet at the end of each reporting period.

The Company recognizes certain corporate bonds, a portion of government securities and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option. The Company has derivative financial instruments on balance sheet, which can be found in Note 11.

The Company has debt instruments managed under a different business model as a non-current financial asset at fair value through other comprehensive income, based on that the business model is achieved by both collecting contractual cash-flows and selling financial assets ("hold & sell" business model), and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company recognised equity instruments as financial asset at FVOCI in current year and applies the fair value option for these instruments.

In 2021 the Company held a successful auction for qualified investors and received funding from the issued bonds. The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. The issue of bond at fixed interest rate and the deal of interest rate swaps took place in the same time. For detailed information please see Note 32.

There were no changes in valuation method neither for Level 1, nor for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2023 and 2022.

b) Non-recurring fair value measurements
The Company did not have non-recurring fair value measurement of any assets or liabilities.

c) Valuation processes for recurring and non-recurring Level 3 fair value measurements
Level 3 valuations are reviewed annually by the Company's financial director who reports to the Board of Directors. The financial director considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the director performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

d) Assets and liabilities not measured at fair value but for which fair value is disclosed
Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value is presented at Note 9. The fair value of the financial assets and liabilities carried at amortised cost does not significantly differ from its carrying amount, because in this type of transactions the Company does not apply any incremental cost, either based on fixed rates or has short-term nature.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

| **HUFm** | **Notes** | **31 December 2023** | | | | **31 December 2022** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Level 1** | **Level 2** | **Level 3** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | | | | | | |
| **Non-current financial assets at fair value through profit or loss** | **18** | **67,585** | **8,254** | **-** | **75,839** | **55,275** | **6,440** | **6,009** | **67,724** |
| *Debt instruments* | | *67,585* | *8,254* | *-* | *75,839* | *55,275* | *6,440* | *-* | *61,715* |
| *Other financial assets at fair value* | | *-* | *-* | *0* | *0* | *-* | *-* | *6,009* | *6,009* |
| **Non-current financial assets at fair value through other comprehensive income** | **19, 27** | **63,026** | **-** | **1,691** | **64,717** | **64,342** | **-** | **-** | **64,342** |
| *Debt instruments* | | *27,521* | *-* | *825* | *28,346* | *28,979* | *-* | *-* | *28,979* |
| *Equity instruments* | | *35,505* | *-* | *866* | *36,371* | *35,363* | *-* | *-* | *35,363* |
| **Derivative financial instruments** | **11** | **-** | **25,989** | **-** | **25,989** | **-** | **33,600** | **-** | **33,600** |
| *Interest rate and commodity swaps* | | *-* | *15,054* | *-* | *15,054* | *-* | *30,313* | *-* | *30,313* |
| *Foreign currency forwards – trading derivatives* | | *-* | *21* | *-* | *21* | *-* | *246* | *-* | *246* |
| *Foreign currency forwards and commodity swaps – cash-flow hedges* | | *-* | *10,914* | *-* | *10,914* | *-* | *3,041* | *-* | *3,041* |
| **Total financial assets held at fair value** | | **130,611** | **34,243** | **1,691** | **166,545** | **119,617** | **40,040** | **6,009** | **165,666** |
| **Financial liabilities** | | | | | | | | | |
| **Financial liabilities at fair value through profit or loss** | **32, 39** | **-** | **54,864** | **-** | **54,864** | **-** | **42,060** | **-** | **42,060** |
| *Debt on issue of bond* | | *-* | *53,840* | *-* | *53,840* | *-* | *41,068* | *-* | *41,068* |
| *Other financial liabilities at fair value* | | *-* | *1,024* | *-* | *1,024* | *-* | *992* | *-* | *992* |
| **Derivative financial instruments** | **11** | **-** | **12,348** | **-** | **12,348** | **-** | **30,270** | **-** | **30,270** |
| *Interest rate swaps* | | *-* | *11,354* | *-* | *11,354* | *-* | *25,484* | *-* | *25,484* |
| *Foreign currency forwards – trading derivatives* | | *-* | *47* | *-* | *47* | *-* | *41* | *-* | *41* |
| *Foreign currency forwards and commodity swaps – cash-flow hedges* | | *-* | *947* | *-* | *947* | *-* | *4,745* | *-* | *4,745* |
| **Total financial liabilities held at fair value** | | **-** | **67,212** | **-** | **67,212** | **-** | **72,330** | **-** | **72,330** |

The valuation technique, inputs used in the fair value measurement for the most significant Level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023 and 2022:

| | **Fair value at 31 Dec. 2023** HUFm | **Valuation technique** | **Inputs** | **Range of inputs (weighted average)** | **Sensitivity of fair value measurement** |
|---|---|---|---|---|---|
| ***Assets at fair value*** | | | | | |
| Other financial asset Mycovia | 0 | Discounted cash-flows (DCF) | • Estimated future profit* | | The lower estimated future profits, the lower the fair value. |
| | | | • Foreign currency rate | - HUF/USD | The higher the FX rate the higher the fair value |
| | | | • Discount rate | - % | The higher the discount rate the lower the fair value |
| **Total recurring fair value measurements at Level 3** | **0** | | | | |

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

* Unobservable input.

The Company recognized a 100% impairment of value for the Mycovia financial investment in August 2023. The previously expected cash-flow data significantly underperformed compared to the actual data for 2023. We examined the percentage of success with a look-back test in quarterly horizon, but it showed a value close to 0%, even after 40% write off of the expected Cash-flows for 2023.

The above table shows the sensitivity analysis of the inputs used to determine the fair value of financial assets and liabilities. By changing one or more unobservable inputs, we analyse the direction and degree of change in the fair value. For this purpose significance was judged with respect to profit or loss and the total assets and total liabilities or, when changes in fair value are recognized in other comprehensive income, total equity.

# 11. Derivative financial instruments

**Accounting policy**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the end of each reporting period to their fair value. The resulting gain or loss is immediately recognized in the Income Statement. Except in the event that the given derivative transaction has been classified as a hedging instrument by the Company and the hedging instrument is effective, since in this case the timing of settlement against the result depends on the nature of the hedging relationship. The cumulative change in the fair value of the hedging instrument appears in Other comprehensive income (OCI) until the time of recognition of the hedged item (royalty income and cash outflows related to natural gas and electricity). The Company uses the option of hedge accounting, the purpose of which is to reduce the impact of volatility arising from exchange rate changes in very likely future foreign currency (USD and EUR) and market prices (TTF) cash-flows. The Company accounts for the effect of the hedged item and the hedging instrument (EUR, USD - foreign exchange transactions and TTF - commodity swaps) against each other in the income statement.

Derivative financial instruments are classified under "Non-current assets" and "Non-current liabilities", depending on whether the instruments have a positive or negative year-end fair value. Other derivative contracts are presented under "Other current assets" and "Other payables and accruals".



Government bonds and corporate bonds purchased by the Company are fixed interest rate debt securities. In order to manage the market risk arising from fixed interest rates, the Company has entered into interest rate swaps in the case of debt instruments, during which it exchanges fixed interest rates for variables. The maturity and currency data of these transactions are summarized in the table below.

**Assets**

| Name | Nominal value | Maturity date | Carrying value (HUFm) |
|---|---|---|---|
| Interest rate swap (HUF) | 7,000,000,000 | 2028 | 840 |
| Interest rate swap (HUF) | 10,000,000,000 | 2029 | 1,706 |
| Interest rate swap (HUF) | 3,500,000,000 | 2030 | 580 |
| Interest rate swap (HUF) | 49,000,000,000 | 2031 | 8,710 |
| Interest rate swap (EUR) | 2,000,000 | 2026 | 34 |
| Interest rate swap (EUR) | 10,000,000 | 2027 | 409 |
| Interest rate swap (EUR) | 13,775,000 | 2029 | 736 |
| Interest rate swap (EUR) | 25,000,000 | 2035 | 1,919 |
| **Total** | | | **14,934** |

**Liabilities**

| Name | Nominal value | Maturity date | Carrying value (HUFm) |
|---|---|---|---|
| Interest rate swap (HUF) | 7,000,000,000 | 2028 | (840) |
| Interest rate swap (HUF) | 10,000,000,000 | 2029 | (1,414) |
| Interest rate swap (HUF) | 3,500,000,000 | 2030 | (580) |
| Interest rate swap (HUF) | 49,000,000,000 | 2031 | (8,520) |
| **Total** | | | **(11,354)** |

The Company's derivative instruments are interest rate -, commodity swaps (certain parts of them - TTF swap short positions to manage hedging inefficiency) and foreign currency forwards.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

In 2021 the Company recognized the corporate bond and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option based on IFRS 9. The fair value option was selected at initial measurement and recognition.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| **Assets** | | |
| Long term derivative financial instruments | | |
| Interest rate swaps | 14,935 | 30,313 |
| Foreign currency forwards – trading derivatives | - | - |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 1,392 | 1,133 |
| Short term derivative financial instruments | | |
| Interest rate and commodity swaps | 119 | - |
| Foreign currency forwards – trading derivatives | 21 | 246 |
| Foreign currency forwards and commodity swaps – cash-flow hedges | 9,522 | 1,908 |
| **Total derivative financial assets** | **25,989** | **33,600** |
| **Liabilities** | | |
| Long term derivative financial instruments | | |
| Interest rate swaps | (11,354) | (25,484) |
| Foreign currency forwards – trading derivatives | - | - |
| Foreign currency forwards and commodity swaps – cash-flow hedges | (59) | - |
| Short term derivative financial instruments | | |
| Interest rate and commodity swaps | - | - |
| Foreign currency forwards – trading derivatives | (47) | (41) |
| Foreign currency forwards and commodity swaps – cash-flow hedges | (888) | (4,745) |
| **Total derivative financial liabilities** | **(12,348)** | **(30,270)** |

The transactions managed by the Company under cash-flow hedge accounting are described in detail in the following subsections.

**Foreign currency risk (USD Vraylar royalty income)**

*Amounts recognised in profit or loss*

There were reclassifications from the cash-flow hedge reserve to profit or loss (Revenues) as gain of HUF 9,237 million during the year 2023 in relation to royalty incomes and foreign currency forwards.

*Hedge effectiveness*

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency royalty income, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency royalty income, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (USD). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted royalty revenue. The Company's strategy is to hedge up to 50 % coverage on the royalty exposure. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net asset in 2023 is HUF 10,914 million (HUF 1,704 million net liability in 2022). This resulted in an increase in asset of HUF 12,618 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 30 (Cash-flow hedge reserve).

***Effects of hedge accounting on the financial position and performance***

The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

**Foreign currency forward**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | 10,914 | (1,704) |
| Notional amount (USD) | 338,950,000 | 241,425,000 |
| Maturity date | 2024/2025 | 2023/2024 |
| Hedge ratio* | 100% | 100% |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | 12,618 | (1,681) |
| Weighted average forward rate for outstanding hedging instruments (including forward points) USD/HUF | 351.95 | 389.50 |

*The foreign currency forward is denominated in the same currency (USD) as the highly probable royalty income, therefore the hedge ratio is 1:1.

**Energy market and foreign price risk**

**Natural gas – market price risk (TTF)**

*Amounts recognised in profit or loss*

There were reclassifications from the cash-flow hedge reserve to profit or loss (general expenses) as loss of HUF 52 million during the year 2023 in relation to outflows of natural gas expenses and TTF commodity swap contracts.

*Hedge effectiveness*

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of market-priced (TTF) natural gas expenses, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of natural gas expenses, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into TTF commodity swap that have similar critical terms as the hedged item, such as maturity, notional amount (MWh) or currency (TTF Argus month-ahead). The Company hedges the market price risk exposure inherent in its TTF price cash-flows from forecasted natural gas consumption. The Company's strategy is to hedge up to 80 % - 100 % coverage on the TTF market-priced natural gas exposure. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was an ineffective portion booked in P&L following the measurement of the hedge effectiveness (the ineffective negative fair value difference was HUF 271 million). Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 604 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 604 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 30 (Cash-flow hedge reserve).

***Effects of hedge accounting on the financial position and performance***

The effects of the TTF commodity SWAP related hedging instruments on the Company's financial position and performance are as follows:

**TTF SWAP commodity hedge**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (604) | - |
| Notional amount (MWh) | 87,888 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (604) | - |
| The ineffective portion of the change in the fair value of the hedging instrument (HUFm) | (271) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/MWh | 34.45 | - |

*The TTF commodity swap is denominated in the same TTF prices (TTF Argus month-ahead) as the highly probable natural gas expenses, therefore the hedge ratio is 1:1.

**Natural gas – foreign currency risk (EUR)**

*Amounts recognised in profit or loss*

There were reclassifications from the cash-flow hedge reserve to profit or loss (general expenses) as loss of HUF 13 million during the year 2023 in relation to outflows of natural gas expenses and foreign currency forwards.

*Hedge effectiveness*

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency natural gas expenses, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign natural gas expenses, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (EUR). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted natural gas consumption. The Company's strategy is to hedge up to 50% -100 % coverage on the foreign currency exposure of natural gas expenses. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was an ineffective portion booked in P&L following the measurement of the hedge effectiveness (the ineffective negative fair value difference was HUF 6 million). Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 80 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 80 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 30 (Cash-flow hedge reserve).

***Effects of hedge accounting on the financial position and performance***

The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

**Foreign currency forward**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (80) | - |
| Notional amount (EUR) | 2,634,504 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (80) | - |
| The ineffective portion of the change in the fair value of the hedging instrument (HUFm) | (6) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/HUF | 389.69 | - |

*The foreign currency forward is denominated in the same currency (EUR) as the highly probable natural gas expenses, therefore the hedge ratio is 1:1.

**Electricity – foreign currency risk (EUR)**

*Amounts recognised in profit or loss*

There were not reclassifications from the cash-flow hedge reserve to profit or loss (general expenses) during the year 2023 in relation to outflows of electricity expenses and foreign currency forwards.

*Hedge effectiveness*

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign electricity expenses outcome, the company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign electricity expenses outcome, ineffectiveness may arise if the timing of the forecast transaction and physical quantities (MWh) changes from what was originally estimated, or if there are changes in the credit risk of the company or the derivative counterparty.

The Company enters into foreign currency forwards that have similar critical terms as the hedged item, such as maturity, notional amount or currency (EUR). The Company hedges the currency risk exposure inherent in its foreign currency cash-flows from forecasted electricity consumption. The Company's strategy is to hedge up to 50% -100 % coverage on the foreign currency exposure of electricity expenses. As all critical terms matched during the year, there is an economic relationship.

In 2023, there was no ineffective portion booked in P&L following the measurement of the hedge effectiveness. Open cash-flow hedging transactions are measured at fair value. The revaluation difference of these transactions is reported with the derivative financial instruments. The net liability in 2023 is HUF 263 million (HUF 0 million net liability in 2022). This resulted in an increase in liability of HUF 263 million. The effects of hedge accounting on financial position and performance are detailed below and in Note 30 (Cash-flow hedge reserve).

***Effects of hedge accounting on the financial position and performance***

The effects of the foreign currency-related hedging instruments on the Company's financial position and performance are as follows:

**Foreign currency forward**

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Carrying amount of the hedging instrument (HUFm) | (263) | - |
| Notional amount (EUR) | 9,986,912 | - |
| Maturity date | 2024 | - |
| Hedge ratio* | 100% | - |
| Change in the fair value of outstanding hedging instruments since inception of the hedge (HUFm) | (263) | - |
| Weighted average forward rate for outstanding hedging instruments (including forward points) EUR/HUF | 392.04 | - |

*The foreign currency forward is denominated in the same currency (EUR) as the highly probable electricity expenses, therefore the hedge ratio is 1:1.

# 12. Property, plant and equipment

**Accounting policy**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The Company uses the following depreciation rates:

| Name | Depreciation |
|---|---|
| Land | 0% |
| Buildings | 1-10% |
| Plant and equipment | |
| *Plant and machinery* | *5-20%* |
| *Vehicles* | *20%* |
| *Office equipments* | *8-33.33%* |

The Company accounts full depreciation for the low value assets (having lower gross value than HUF 200,000) at recognition, so when the asset is available for use.

The depreciation is calculated on a daily basis and accounted for on a monthly basis. The accounting system is recording in parallel the accounting and tax deprecation.
Depreciation is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses or Research and development expenses, depending on the purpose of usage of underlying assets, in the Income Statement or recognised as Inventories in the Balance Sheet.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit as Other income or Other expenses.

The residual value of property, plant and equipment with the exception of cars is not material, because of the nature of the activity of the Company. Residual value of cars is 20% of their initial cost.

**Impairment of tangible assets**

An impairment loss is recognised immediately in profit or loss as Other expenses.

A reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as Other income.

Property, plant and equipment:

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Property, plant and equipment without right-of-use assets | 247,459 | 224,419 |
| Right-of-use assets | 3,139 | 1,797 |
| **Total** | **250,598** | **226,216** |

## 12.1 Property, plant and equipment without right-of-use assets

| | Land and buildings HUFm | Plant and equipment HUFm | Construction in progress HUFm | Total HUFm |
|---|---|---|---|---|
| **Gross value** | | | | |
| **at 31 December 2021** | **167,303** | **284,831** | **23,996** | **476,130** |
| Addition | 8,594 | 18,073 | (26,667) | **-** |
| Transfers and capital expenditure | - | - | 39,754 | **39,754** |
| Other Increase/(Disposals) | (662) | (8,632) | (1) | **(9,295)** |
| **at 31 December 2022** | **175,235** | **294,272** | **37,082** | **506,589** |
| **Accumulated depreciation** | | | | |
| **at 31 December 2021** | **(54,704)** | **(216,577)** | **-** | **(271,281)** |
| Current year depreciation | (5,009) | (13,829) | - | **(18,838)** |
| Other Increase/(Disposals) | 81 | 7,868 | - | **7,949** |
| **at 31 December 2022** | **(59,632)** | **(222,538)** | **-** | **(282,170)** |
| **Net book value** | | | | |
| **at 31 December 2021** | **112,599** | **68,254** | **23,996** | **204,849** |
| **at 31 December 2022** | **115,603** | **71,734** | **37,082** | **224,419** |

| | Land and buildings HUFm | Plant and equipment HUFm | Construction in progress HUFm | Total HUFm |
|---|---|---|---|---|
| **Gross value** | | | | |
| **at 31 December 2022** | **175,235** | **294,272** | **37,082** | **506,589** |
| Addition | 14,608 | 21,200 | (35,808) | **-** |
| Transfers and capital expenditure | - | - | 43,363 | **43,363** |
| Disposal and other movements | 230 | (6,142) | (53) | **(5,965)** |
| **at 31 December 2023** | **190,073** | **309,330** | **44,584** | **543,987** |
| **Accumulated depreciation** | | | | |
| **at 31 December 2022** | **(59,632)** | **(222,538)** | **-** | **(282,170)** |
| Current year depreciation | (5,141) | (14,429) | - | **(19,570)** |
| Disposal and other movements | (656) | 5,868 | - | **5,212** |
| **at 31 December 2023** | **(65,429)** | **(231,099)** | **-** | **(296,528)** |
| **Net book value** | | | | |
| **at 31 December 2022** | **115,603** | **71,734** | **37,082** | **224,419** |
| **at 31 December 2023** | **124,644** | **78,231** | **44,584** | **247,459** |

All items of Property, plant and equipment are free from liens and charges. The value of real estate does not include investment property.

## 12.2 Right-of-use assets

Accounting principles of Right of us assets are described in Note 33.

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

| | Building HUFm | Machinery HUFm | Vehicles HUFm | Total HUFm |
|---|---|---|---|---|
| **at 31 December 2021** | **979** | **4** | **982** | **1,965** |
| Addition | 36 | - | 449 | 485 |
| Current year depreciation | (357) | (3) | (293) | (653) |
| **at 31 December 2022** | **658** | **1** | **1,138** | **1,797** |
| Addition | 543 | 5 | 1,703 | 2,251 |
| Current year depreciation | (426) | (2) | (481) | (909) |
| **at 31 December 2023** | **775** | **4** | **2,360** | **3,139** |

# 13. Goodwill

The Company does not have any Goodwill balance.

# 14. Intangible assets

**Accounting policy**

Intangible assets initially are measured at cost.

The Company regularly enters into licensing agreements that requires the Company to pay certain license fees. A typical license agreement contains:
- Upfront payments;
- Regulatory milestones; and
- Sales based royalties.

The upfront payments generally meet the definition of an intangible acquired in a purchase transaction and meets the recognition criteria of IAS 38. All the milestone payments based on regulatory approval are recognised as part of the intangible asset when those payments become payable.

The sales based royalty payments made to the licensor based on the revenue of the Company are recognized as expense in the same period as the revenue for the sale of pharmaceutical product is recognized.

The intangible assets are amortised through the estimated useful life using straight-line amortization method generally applying a rate between 4-33%. The useful life cannot be longer than the contractual period to which it relates, it generally agrees to that. In case the professional estimate is that the Company will use it for a shorter period, this estimated period will be used for the basis of amortization. In case the contract can be renewed, the cost of renewal is capitalized and will be amortised.

Amortization is recognised as Cost of sales, Sales and marketing expenses, Administration and general expenses and Research and development expenses in the Income Statement depending on the function of the intangible assets.

The Company is using the straight-line method to amortize R&D over the estimated useful life.

**Impairment of intangible assets**

An impairment loss is recognised immediately in profit or loss as Other expenses, a reversal of an impairment loss for an asset shall be recognized immediately in profit or loss and presented as Other income.

The Company does not recognise amortization for intangible assets with indefinite useful lives or intangible assets that are not yet available for use, but based on indicators annually reviews the necessity of impairment.

| | Rights | Intellectual property | Research and development | Total |
|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm |
| **Gross value** | | | | |
| **at 31 December 2021** | **305,258** | **2,030** | **804** | **308,092** |
| Acquisition | 12,354 | 139 | - | **12,493** |
| Scrapping | (12) | - | - | **(12)** |
| Other Increase/(Disposals) | (926) | - | - | **(926)** |
| **at 31 December 2022** | **316,674** | **2,169** | **804** | **319,647** |
| **Accumulated amortization** | | | | |
| **at 31 December 2021** | **(126,770)** | **(1,651)** | **(804)** | **(129,225)** |
| Current year amortization | (14,400) | (59) | - | **(14,459)** |
| Impairment and reversal of impairment (net) | (18,969) | - | - | **(18,969)** |
| Scrapping | 2 | - | - | **2** |
| Other (Increase)/Disposals | (6) | - | - | **(6)** |
| **at 31 December 2022** | **(160,143)** | **(1,710)** | **(804)** | **(162,657)** |
| **Net book value** | | | | |
| **at 31 December 2021** | **178,488** | **379** | **-** | **178,867** |
| **at 31 December 2022** | **156,531** | **459** | **-** | **156,990** |

| | Rights | Intellectual property | Research and development | Total |
|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm |
| **Gross value** | | | | |
| **at 31 December 2022** | **316,674** | **2,169** | **804** | **319,647** |
| Acquisition | 32,451 | 107 | - | **32,558** |
| Scrapping | (732) | - | - | **(732)** |
| Other Increase/(Disposals) | (884) | - | - | **(884)** |
| **at 31 December 2023** | **347,509** | **2,276** | **804** | **350,589** |
| **Accumulated amortization** | | | | |
| **at 31 December 2022** | **(160,143)** | **(1,710)** | **(804)** | **(162,657)** |
| Current year amortization | (14,821) | (67) | - | **(14,888)** |
| Impairment and reversal of impairment (net) | (4,127) | - | - | **(4,127)** |
| Scrapping | 690 | - | - | **690** |
| Other (Increase)/Disposals | 1 | - | - | **1** |
| **at 31 December 2023** | **(178,400)** | **(1,777)** | **(804)** | **(180,981)** |
| **Net book value** | | | | |
| **at 31 December 2022** | **156,531** | **459** | **-** | **156,990** |
| **at 31 December 2023** | **169,109** | **499** | **-** | **169,608** |

All intangible assets are free from liens and charges. The intangible assets of the Company, except for R&D, are not internally generated.

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

| **Net book value** | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Evra | 65,536 | 69,367 |
| Relugolix | 24,390 | 21,881 |
| Mithra/Drovelis | 18,492 | 18,986 |
| Mithra/Donesta | 21,141 | 2,019 |
| Grünenthal | 8,149 | 12,387 |
| Bemfola/Afolia | 4,029 | 4,236 |
| Mycovia | 0 | 0 |
| Mifepristone | 0 | 0 |
| Tocilizumab | 0 | 0 |
| Other, individually not significant rights | 10,857 | 12,666 |
| ***Total commercial rights*** | ***152,594*** | ***141,542*** |
| Other, individually not significant intangible assets | 17,014 | 15,448 |
| **Total** | **169,608** | **156,990** |

The following details the intangible assets considered to be most significant by Management.

**Rights** – Evra
In December 2020 Richter signed an asset purchase agreement with Janssen Pharmaceutica NV, a wholly owned subsidiary of Johnson & Johnson, in respect of Janssen's Outside US Evra® transdermal contraceptive patch. The deal was closed in January 2021 and in accordance with a transitional business license agreement signed together with the asset purchase contract Janssen has been providing post-closing transitional support to facilitate the transfer of the Outside US marketing authorizations. The purchase price paid for the assets on the closing of the deal, amounted to USD 263.5 million. By adding a patch to our existing contraceptive delivery methods such as oral contraceptives, emergency contraceptives and intra-uterine device, enabled Richter to proudly offer the widest selection of family planning solutions to women. EVRA® is approved as a once-a-week contraceptive for women. It is the first transdermal hormonal patch to be approved, as well as the first non-invasive form of birth control that, when used correctly, is 99% effective. Royalty type revenues linked to sales of Evra® by Janssen during this transitional period are being reported as sales. The book value of the intangible asset as of 31 December 2023 is HUF 65,536 million.

**Rights** – Relugolix
On 31 March 2020, the Company announced that it had entered into an exclusive agreement with Myovant Sciences GmbH to market the combination tablet of Relugolix® (containing 40 mg relugolix, 1.0 mg estradiol and 0.5 mg norethindrone acetate) in the indications for uterine fibroids and endometriosis. The geographic scope of the agreement covers Europe, CIS countries including Russia, Latin America, Australia and New Zealand. Myovant is a healthcare company developing innovative products in the field of gynecology and prostate cancer. Under the agreement, Myovant will receive USD 40 million milestone revenue at the time of the contract and will be entitled to additional milestone revenue of up to USD 40 million tied to the achievement of each milestone of regulatory approvals. The milestone revenues tied to post-authorization sales levels could amount to USD 107.5 million and the parties will also tie the amount of royalty to be paid in band to the level of sales. Myovant reserves all rights in the United States with respect to Relugolix® combination tablets, as well as its rights to non-gynecological indications for Relugolix. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 15,151 million as of 31 December 2023. For the part of intangible assets which are not in use (net book value at 31 December 2023 is HUF 9,239 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mithra/Drovelis
As part of Richter's Specialty Pharma strategy on 2 September 2018, Richter announced that it entered into an exclusive license and supply agreement with Mithra Pharmaceuticals to commercialize Dovelis®, a combined oral contraceptive, containing esterol and drospirenone. Richter is going to commercialize the product under a different brand name. The geographic scope of the agreement covers Europe and Russia. Under the terms of the agreement Richter made upon signature of the contract an upfront payment totalling EUR 35 million. Mithra is entitled to receive additional milestone payments amounting to EUR 20 million depending on the progress of development and regulatory process of the product. Further sales related royalties will become payable to Mithra subsequent to the launch of the product and Mithra will receive guaranteed annual recurring revenues based on minimum annual quantities (MAQ), in addition to tiered royalties on net sales. During 2021 the amortization period has started. The net book value of the intangible assets put in use is HUF 17,262 million as of 31 December 2023. For the part of intangible assets which are not in use (net book value at 31 December 2023 is HUF 1,230 million) we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mithra/Donesta
On 15 February 2023 Richter announced it has signed a licence agreement with Mithra Pharmaceuticals for the commercialisation of Donesta®, which is an estetrol-based product candidate for Hormone Replacement Therapy for the treatment of post-menopausal symptoms.
Donesta® is Mithra's next generation orally-administrated estetrol (E4)-based hormone therapy product candidate offering a potential long-term solution for treating different symptoms of menopause. Estetrol (E4), the first native estrogen from human fetal origin. E4 acts differently from classical oestrogens. Due to its selective activation of nuclear Estrogen receptors and its unique metabolism result in a low impact on haemostasis and breast with an improved benefit/safety profile. For the intangible asset which is not in use we performed impairment test based on quantitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss. As a result the intangible asset's net book value as of 31 December 2023 is HUF 21,141 million.

**Rights** – Grünenthal
The product rights acquired from Grünenthal in 2010 containing manufacturing rights (amounted to EUR 600 thousand) and market authorization (amounted to EUR 235.9 million) together with the value of the established products brand are presented as Rights. The estimated useful life for both rights is 15 years. The amortization period started in 2010. Net book value of the rights in relation to Grünenthal is HUF 8,149 million as of 31 December 2023 and HUF 12,387 million as of 31 December 2022.

**Rights** – Bemfola/Afolia
On 30 June 2016 Richter acquired Finox Holding, a privately held Swiss biotech company focused on development and commercialisation of innovative and cost effective products addressing female fertility. Finox's product, Bemfola® is a recombinant-human Follicle Stimulating Hormone (r-hFSH) which was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola® except for the US. As a result of the acquisition, Richter expanded its Women's Healthcare portfolio with the female fertility therapeutic area and was able to increase its biosimilar market potential. On 10 July 2018 Richter announced that it had established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, Bemfola®/Afolia, for the use in the United States. During 2020, the Company recognized 100% impairment loss of HUF 1,389 million on intellectual property rights in relation to the US territory. Richter does not intend to launch the product in the US as significant additional clinical development costs in accordance with FDA regulations would occur, which would significantly decrease the profitability of the product taken into account the potential market size and market share. As of 31 December 2023, we performed impairment test for the remaining intangible assets of HUF 4,029 million based on qualitative indicators, whereby the value in use was assessed. The Management concluded that there was no need to recognize any impairment loss.

**Rights** – Mycovia
On 16 October 2019 Richter and Mycovia Pharmaceuticals, Inc. announced that they have entered into an exclusive license and development and technology transfer agreement to commercialize and manufacture VT-1161, currently in Phase III clinical trials for the treatment of Recurrent Vulvovaginal Candidiasis. The geographic scope of the license agreement covers Europe, Russia, the other CIS countries, Latin America and Australia. Under the terms of the agreement Richter shall make milestone payments related to the clinical development process.
In 2022, due to the risks identified during non-clinical trials which affected significantly the product's sales potential. Therefore 100% impairment has been accounted for in relation with the Mycovia intangible asset. The total impairment expense accounted is HUF 8,677 million and the carrying value of the Mycovia intangible asset is HUF 0. During the financial year 2023, there was no indication or circumstance that would give rise to a reversal of the previously recognised impairment loss.

**Rights** – Mifepristone
In 2022, 100% impairment has been accounted for in relation with the Mifepristone intangible asset, due to results of clinical trials which gave rise to additional risks, which are anticipated to diminish the long term return of the investment. The total impairment expense accounted is HUF 4,938 million and the carrying value of the Mifepristone intangible asset is HUF 0. During the financial year 2023, there was no indication or circumstance that would give rise to a reversal of the previously recognised impairment loss.

**Rights** – Tocilizumab
On 29 April 2020 the Company announced that it has entered into an asset purchase agreement with Mycenax Biotech Inc. ("Mycenax") in respect of biosimilar tocilizumab ("Product") for the treatment of rheumatoid arthritis. According to the agreement Richter receives worldwide rights to develop, manufacture and commercialise the Product. Biosimilar tocilizumab assets comprise the cell lines, intellectual property (IP) rights, technology know-how and data generated by Mycenax. The Parties have agreed that the price payable by Richter in four instalments amounts to USD 16.5 million. Richter made a down payment of USD 2 million for exclusive negotiation rights and will pay upon signature an additional USD 3 million as upfront payment. The Product is expected to reach the market in the European Union, Canada, Australia and Japan during 2025.
As of 31 December 2022, we performed an impairment test for intangible assets based on quantitative indicators, whereby the value in use was assessed. 100% impairment has been accounted for in relation with the Tocilizumab intangible asset due to expected delay in the launch of the Product and higher anticipated costs of manufacturing. The total impairment expense accounted in 2022 was HUF 5,355 million and the carrying value of the Tocilizumab intangible asset was HUF 0. In 2023 we performed impairment test based on quantitative indicators and concluded that there is no indication that the previously accounted impairment should no longer exist.

**Rights** – Shact
The Company each year reviews its development projects and the intangible assets related to sales of products. As a result of this, in 2023 HUF 4,127 million (in 2022 HUF 20,068 million) impairment expense was recognised. The majority of this impairment relates to Lidbree product. Based on the expected future performance of the product the return on the intangible asset is not provided, therefore 100% (HUF 3,043 million) impairment expense was recognised.

**Intellectual property**
The average remaining useful life of the intellectual properties in use does not exceed 5.8 years (5.9 years in 2022).

# 15. Subsidiaries

**Accounting policy**

Investments in subsidiaries, associates and joint ventures are measured at cost. The cost is the purchase price paid for the asset (in case of a foreign currency transaction, the value converted to the Company's functional currency (HUF) using the exchange rate applicable on the date of the transaction). At the acquisition, the Company considers any contingent purchase price as part of the consideration. For subsequent measurement of the obligation arising from the contingent purchase price, the Company applies the IFRS 3 analogy which requires that the change in the fair value of the liability should be recognized in the profit and loss account.

We distinguish three groups of shares:

- investments in subsidiaries,
- investments in joint ventures,
- investments in associates.

The above investments are shown on the balance sheet of the Company under "Investments in subsidiaries, associates and joint ventures".
The Company considers an indicator when the carrying amount of the investment exceeds the proportionate share of the value of the equity of the investment.
During the individual rating, in terms of significant investments the cash-flows closely related to the investments were also taken into consideration.
The impairment and the reversal of impairment are recognized as Net financial income/(loss) in the Income statement.

The accounting policy for accounting for dividend income from subsidiaries, associates and joint ventures is included in Note 2.2.

Details of the Company's direct and indirect subsidiaries are as follows:

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2023 | 31 Dec. 2022 | |
| 1 | AO Gedeon Richter - RUS | Russia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical manufacturing, Pharmaceutical wholesale |
| 2 | Gedeon Richter Romania S.A. | Romania | 99.92 | 99.92 | 99.92 | 99.92 | Pharmaceutical manufacturing |
| 3 | Gedeon Richter Polska Sp. z o.o. | Poland | 99.86 | 99.84 | 99.86 | 99.84 | Pharmaceutical manufacturing, Marketing services |
| 4 | Richter Themis Medicare (India) Pvt. Ltd. | India | 51.00 | 51.00 | 51.00 | 51.00 | Pharmaceutical manufacturing |
| 5 | Gedeon Richter Pharma GmbH. | Germany | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 6 | Gedeon Richter USA Inc. | USA | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 7 | RG Befektetéskezelő Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Financial-accounting and controlling activities |
| 8 | Gedeon Richter UA TOV | Ukraine | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 9 | Gedeon Richter UK Ltd. | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 10 | Gedeon Richter Iberica S.A.U. | Spain | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 11 | Medimpex Jamaica Ltd. | Jamaica | 60.00 | 60.00 | 60.00 | 60.00 | Pharmaceutical trading |
| 12 | Medimpex West-Indies Ltd. | Jamaica | 60.00 | 60.00 | 60.00 | 60.00 | Pharmaceutical trading |
| 13 | Humanco Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Social, welfare services |
| 14 | Pesti Sas Holding Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Portfolio management |
| 15 | Richter Szolgáltató Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Catering services |
| 16 | Reflex Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Transportation, carriage |
| 17 | Chemitechnik Pharma Kft. | Hungary | 66.67 | 66.67 | 66.67 | 66.67 | Engineering services |
| 18 | GYEL Kft. | Hungary | 66.00 | 66.00 | 66.00 | 66.00 | Quality control services |
| 19 | Armedica Trading S.R.L. | Romania | 99.92 | 99.92 | 99.92 | 99.92 | Portfolio management |
| 20 | Gedeon Richter Farmacia S.A. (1) | Romania | - | 99.92 | - | 99.92 | Pharmaceutical retail |
| 21 | Gedeon Richter France S.A.S. | France | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 22 | Richter-Helm BioLogics GmbH & Co. KG | Germany | 70.00 | 70.00 | 70.00 | 70.00 | Biotechnological manu-facturing and research |
| 23 | Richter-Helm BioLogics Management GmbH | Germany | 70.00 | 70.00 | 70.00 | 70.00 | Asset management |
| 24 | Medimpex UK Ltd. | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 25 | Farnham Laboratories Ltd. (2) | United Kingdom | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 26 | Gedeon Richter Aptyeka SP OOO | Armenia | 51.00 | 51.00 | 51.00 | 51.00 | Pharmaceutical retail |
| 27 | Pharmafarm S.A. (1) | Romania | - | 99.92 | - | 99.92 | Pharmaceutical wholesale |
| 28 | LLC "Gedeon Richter Ukraine" | Ukraine | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical retail |
| 29 | Gedeon Richter Italia S.R.L. | Italy | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 30 | Gedeon Richter Marketing ČR s.r.o. | Czech Republic | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 31 | Gedeon Richter Slovakia s.r.o. | Slovak Republic | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 32 | Richter-Lambron SP OOO | Armenia | 51.00 | 51.00 | 51.00 | 51.00 | Pharmaceutical trading |
| 33 | Gedeon Richter Austria GmbH | Austria | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2023 | 31 Dec. 2022 | |
| 34 | Gedeon Richter (Schweiz) AG | Switzerland | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 35 | Gedeon Richter Portugal S.A. | Portugal | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 36 | PregLem France S.A.S. | France | 100.00 | 100.00 | 100.00 | 100.00 | Management services |
| 37 | Gedeon Richter, trženje, d.o.o. | Slovenia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 38 | Gedeon Richter Benelux | Belgium | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 39 | Gedeon Richter Nordics AB | Sweden | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 40 | Gedeon Richter KZ TOO | Kazakhstan | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 41 | GRmed Company Ltd. (Hongkong) | Hong-Kong | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services, distribution |
| 42 | Gedeon Richter Pharmaceutical (China) Co. Ltd. | China | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 43 | Gedeon Richter Colombia S.A.S. | Columbia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 44 | Gedeon Richter Croatia d.o.o. | Croatia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 45 | Gedeon Richter Mexico, S.A.P.I. de C.V | Mexico | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 46 | Gedeon Richter do Brasil Importadora, Exporta-dora e Distribuidora S.A. | Brazil | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 47 | Gedeon Richter Chile SpA | Chile | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 48 | Mediplus (Economic Zone) N.V. | Curaçao | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 49 | Gedeon Richter Peru S.A.C. | Peru | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 50 | GEDEONRICHTER Ecuador S.A. | Ecuador | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 51 | Gedeon Richter Bolivia SRL | Bolivia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading |
| 52 | Gedeon Richter Australia PTY Ltd. | Australia | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 53 | Finox AG | Switzerland | 100.00 | 100.00 | 100.00 | 100.00 | Biotechnological services |
| 54 | Finox Biotech AG | Lichtenstein | 100.00 | 100.00 | 100.00 | 100.00 | Biotechnological services |
| 55 | Finox Biotech Germany GmbH | Germany | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 56 | Gedeon Richter Ireland Ltd. | Ireland | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 57 | Gedeon Richter Bulgaria Ltd. | Bulgaria | 100.00 | 100.00 | 100.00 | 100,00 | Marketing services |
| 58 | Gedeon Richter Farma O.O.O. | Russia | 100.00 | 100.00 | 100.00 | 100.00 | Marketing services |
| 59 | Forhercare Kft. | Hungary | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical retail |
| 60 | Gedeon Richter Vietnam Ltd | Vietnam | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |
| 61 | SHE Healthcare Company Limited | Hong-Kong | 100.00 | 100.00 | 51.00 | 51.00 | Pharmaceutical trading, Marketing services |
| 62 | SHE Healthcare (Shanghai) Company Limited | China | 100.00 | 100.00 | 51.00 | 51.00 | Pharmaceutical trading, Marketing services |

| | Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|
| | | | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2023 | 31 Dec. 2022 | |
| 63 | Farmage Dominicana S.R.L. | Dominican Republic | 100.00 | 100.00 | 100.00 | 100.00 | Pharmaceutical trading, Marketing services |

(1) The subsidiary was sold in 2023.
(2) The company's principal activity has been suspended.

| | Name | Date of estab-lishment / acquisition | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 | |
| 64 | OC Distributors Ltd. | 02 2023 | Ireland | 100.00 | - | 100.00 | - | Marketing services |
| 65 | Giskit B.V. | 07 2023 | The Netherlands | 100.00 | - | 100.00 | - | Sales and marketing of medical equipment |

**Changes in the investment in subsidiaries are presented in detail in the table below:**

| Name | 31 Dec. 2023 HUFm | Event for the change in 2023 HUFm | Reason | 1 Jan. 2023 HUFm |
|---|---|---|---|---|
| AO Gedeon Richter - RUS | 17,672 | | | 17,672 |
| Gedeon Richter Farma O.O.O. | 1,977 | | | 1,977 |
| RG Befektetéskezelő Kft. | 3,614 | | | 3,614 |
| Gedeon Richter Romania S.A. | 19,106 | | | 19,106 |
| Gedeon Richter Polska Sp. z o.o. | 10,224 | 7 | Acquisition | 10,217 |
| Richter-Helm BioLogics GmbH & Co. KG | 3,308 | | | 3,308 |
| GRmed Company Ltd. (Hongkong) | 28,207 | | | 28,207 |
| Gedeon Richter Mexico, S.A.P.I. de C.V | 8,689 | 2,821 | Reversal of impairment | 5,868 |
| Finox AG | 28,014 | | | 28,014 |
| Gedeon Richter Australia PTY Ltd. | 4,840 | | | 4,840 |
| SHE Healthcare Company Limited | 2,853 | | | 2,853 |
| OC Distributors Ltd. | 14,285 | 14,285 | Acquisition | - |
| Giskit B.V. | 11,420 | 11,420 | Acquisition | - |
| Other subsidiaries | 8,042 | 44 | Impairment and other non significant changes | 7,998 |
| **Total** | **162,251** | **28,577** | | **133,674** |

| Name | 31 Dec. 2022 | Event for the change in 2022 | | 1 Jan. 2022 |
|---|---|---|---|---|
| | HUFm | HUFm | Reason | HUFm |
| AO Gedeon Richter - RUS | 17,672 | | | 17,672 |
| Gedeon Richter Farma O.O.O. | 1,977 | | | 1,977 |
| RG Befektetéskezelő Kft. | 3,614 | 3,287 | Apport | 327 |
| Gedeon Richter Romania S.A. | 19,106 | | | 19,106 |
| Gedeon Richter Polska Sp. z o.o. | 10,217 | | | 10,217 |
| Richter-Helm BioLogics GmbH & Co. KG | 3,308 | | | 3,308 |
| GRMed Company Ltd. (Hongkong) | 28,207 | | | 28,207 |
| Gedeon Richter Mexico, S.A.P.I. de C.V | 5,868 | 2,734 | Reversal of impairment | 3,134 |
| Finox AG | 28,014 | | | 28,014 |
| Gedeon Richter Australia PTY Ltd. | 4,840 | | | 4,840 |
| SHE Healthcare Company Limited | 2,853 | 2,853 | Acquisition | - |
| Other subsidiaries | 7,998 | 263 | Impairment and other non-significant changes | 7,735 |
| **Total** | **133,674** | **9,137** | | **124,537** |

The following details the investments considered to be most significant by management.

**Finox Holding**

The Company announced on 30 June 2016, that it acquired Finox Holding, a Swiss-based biotech company and its product, Bemfola®, which is a recombinant-human Follicle Stimulating Hormone (r-hFSH) developed as a biosimilar to GONAL-f®, an established reference product. Bemfola® was the first biosimilar r-hFSH launched in Europe. Richter obtained global rights for Bemfola®, excluding the sales and distribution rights in the USA. This was purchased in a later transaction as presented in Note 14.

The acquisition represented a unique opportunity for Richter to widen its core Women's Healthcare franchise and further emphasized its commitment to biosimilar business. Also, it allowed Richter to establish its presence in the female fertility therapeutic area – a significantly growing market. On 10 July 2018, Richter announced that it had established a sale and purchase agreement with Fertility Biotech AG, in connection with the transfer of intellectual property rights, relevant studies, related data and documents of r-hFSH containing product, Bemfola®/Afolia, for the use in the United States.

Total consideration paid in cash contains the value of the ownership and a long-term loan given by previous owner. The book value of Richter's investment in Finox Holding considerably exceeds the equity of the subsidiary, therefore the Company examined the fair value less cost of disposal of intangible asset Finox Bemfola calculated by Multi-Period Excess Earnings Method. The Company adjusted the carrying value of the equity of Finox Holding with the fair value of Bemfola determined by using Multi-Period Excess Earnings Method based on fair value less cost of disposal, since this intangible has a significant value, but not recognized in the accounts of Finox Holding. The carrying value of the investment and the Bemfola related intangible assets were compared to the adjusted equity (representing the recoverable amount).

The calculations were based on long term projections (corresponding with useful life of these assets) adopted by Management. Key assumptions are:

Technology barriers in the r-hFSH market are strong, hence the Company does not expect significant generic competition. Any possible erosion is expected to be compensated by new launches (in connection with further geographical expansion), however the effects of new launches are not taken into account in the impairment model.

As a consequence, cash-flows show upward trend from 2024 to 2027 in connection with the increase in sales (CAGR: 1.6%) after this peak period the growth is expected to be slower and turn into slow decrease until 2041 (CAGR: -2.5%).

The recoverable amount is significantly higher than the investment's book value.

The discount rate (post tax: 8.98% in 2023, 9.3% in 2022) applied reflects current market assessments of the time value of money and the risks specific to the asset for which future cash-flow estimates have not been adjusted. Any reasonable change in the key assumptions is still not expected to result in an impairment.

**GRMed Company Ltd.**

GRMed Company Ltd. was acquired in 2013. The transaction supported the Company's stronger presence in China through acquiring an indirect holding in the Chinese trading company Rxmidas. The Company has restructured its operation in China and merged the activity of Gedeon Richter Rxmidas Joint Venture Co. Ltd. to GRMed Company Ltd. As a result of the reorganisation, the reporting structure has changed as well, therefore the recoverable amount of the two investments is assessed together.

The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2023 and 2022 and it was found that there is no need to account for impairment in 2023 like the previous years. Taking into consideration the reorganization of the business (in 2017) and the reporting structure, the book value of Richter's investment as of 31 December 2023 (after the prior merger) were tested for impairment, in one model on group of CGUs level by means of the income-based method with a fair value less cost of disposal approach, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded.
The calculations were based on the long-term turnover projection and cost plan approved by Management, the underlying cash-flows of which are expected to reflect market participant assumptions as well. The present value of cash-flows beyond this was determined by means of the terminal value formula.

Between 2024 and 2033 a continuous increase in cash-flows is expected mainly due to new product launches. The share of net sales in connection to these new products increase from 11% in 2024 to 44% in 2033.

In the impairment test, the net assets of the Chinese subsidiary were considered. (Consistently with the cash-flow projections.)

The sum of the present value of 2024-2033 cash-flows (representing 26.4% of the total recoverable amount) and the conservatively estimated residual value (reckoning with 0% growth) is significantly higher than the tested amount.

The discount rate (post tax: 8.43% in 2023, 8.90% in 2022) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash-flow estimates have not been adjusted.
A rise in post-tax discount rate to 10.8% or 5.63% decrease in forecasted sales volumes would remove the remaining headroom.

**Gedeon Richter Mexico, S.A.P.I. de C.V.**

DNA Pharmaceuticals S.A. of Mexico was acquired in 2014. The investment value was tested by the Company for impairment as of 31 December 2023 similarly to prior years.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount (which is level 3 in the fair value hierarchy). The calculations were based on the long-term turnover projection approved by Management (2024-2033), the underlying cash-flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash-flows beyond this was determined by means of the terminal value formula.

In the impairment test, the current assets and all liabilities of the Mexican subsidiary were taken into account. (Consistently with the cash-flow projections.)

The discount rate (post tax: 10.05% in 2023 and 11.9% in 2022) applied reflects current market assessments of the time value of money and the risks specific to the assets for which future cash-flow estimates have not been adjusted.

In the past 2-2,5 years, the Company has implemented various measures to achieve greater efficiency, reduce and control operating costs in order to increase the long-term profitability of the Mexican business. The sale of Evra® contraceptive patches was started in 2022 which will have a significant positive impact on the future profitability of Gedeon Richter Mexico. Besides, the value of allocated intangible asset has been also increased due to the Mexican share of total Evra intangible asset value. In addition to the fact that the company will realize a significant surplus in the future from Evra® sales, the new product portfolio will also perform better than previously expected.

The recoverable amount based on current forecast exceeds the net book value of investment and other assets. A rise in post-tax discount rate to 18.9% or 29.0% decrease in forecasted sales volumes would remove the remaining headroom.

Due to the listed reasons and based on our impairment test, as of 31 December 2023 the investment value has been increased HUF 2,821 million as a reversal of previously recognized impairment. The revenue increased continuously in 2023 meanwhile the operational costs matched to the budget. In line with the increase in expected cash-flows, the residual value has also increased significantly and the previously recognised impairment has fully reversed by the Company. The reversal value was HUF 2,821 million. Net book value of the investment HUF 8,689 million as of 31 December 2023.

**<u>Gedeon Richter Australia Pty Ltd.</u>**

Gedeon Richter Australia Pty Ltd. was acquired in 2018 under a share purchase agreement concluded between the Company and Finox AG. The investment in subsidiary was tested for impairment as of the balance sheet date of 31 December 2023 as well.

The return has been determined for a cash generating unit (CGU) by means of the income-based method with a fair value less cost of disposal approach, whereby the result of the test indicated that the fair value less cost of disposal was higher than the carrying amount, therefore no impairment was recorded. The calculations were based on the long-term turnover projection approved by Management (2024-2033), the underlying cash-flows of which are expected to reflect market participant assumptions on the respective markets as well. The present value of cash-flows beyond this was determined by means of the terminal value formula.

Based on the forecasts, significant new products are expected to be launched from 2024, which will be supported by a significant increase in the subsidiary's resources. As a result of the above mentioned tendency, negative cash-flows will occur in 2024, and then in parallel with the introduction of new products the cash-generation of the subsidiary will continuously improve. The compound average growth rate (CAGR) of sales revenue is projected to be close to 23.2% over the period 2024-2033.

The residual value of cash-flows was estimated using a conservative approach (reckoning with 0% growth).

In the impairment test, the current assets and all liabilities of the Australian subsidiary were taken into account. (Consistently with the cash-flow projections.)

The recoverable amount determined based on the assumptions above exceeded the carrying value considerably. A rise in post-tax discount rate to 7.4% or 1.14% decrease in forecasted sales volumes would remove the remaining headroom.

The discount rate (post tax: 7.08% and 9.8% in 2022) applied reflects current market assessments of the time value of money and the risks specific to the CGU for which future cash-flow estimates have not been adjusted.

**Acquisition of subsidiaries in 2023**

In February 2023, the Company bought OC Distributors Ltd., as its subsidiary.
In July 2023, the Company bought Giskit B.V., as its subsidiary.

**Acquisition of subsidiaries in 2022**

In May 2022, the Company bought SHE Healthcare, as its subsidiary.
In July 2022, the Company bought Farmage Dominicana S.R.L., as its subsidiary.

# 16. Investments in associates and joint ventures

## 16.1 Investments in joint ventures

Details of the Company's direct and indirect joint ventures are as follows:

| Name | Place of incorporation (or registration) and operation | Proportion of ownership % | | Proportion of voting rights held % | | Principal activity |
|---|---|---|---|---|---|---|
| | | 31 Dec. 2023 | 31 Dec. 2022 | 31 Dec. 2023 | 31 Dec. 2022 | |
| Medimpex Irodaház Ingatlankezelő Kft. | Hungary | 50.00 | 50.00 | 50.00 | 50.00 | Renting real estate |
| Richter Helm BioTec Management GmbH | Germany | 50.00 | 50.00 | 50.00 | 50.00 | Asset management |
| Richter Helm BioTec GmbH & Co.KG. | Germany | 50.00 | 50.00 | 50.00 | 50.00 | Trading of biotech products, Marketing services |

The book value of joint ventures was HUF 620 million at 31 December 2022 and it was not changed in 2023.

In the separate financial statement of the Company the investment in the joint venture **Richter Helm BioTec GmbH & Co.KG.** was analysed for impairment, since this company was loss making and had negative equity balance in recent years. The sole purpose of the Company is to coordinate and supervise the product development and sales activity performed by Richter Helm Biologics GmbH & Co.KG based on the instruction of Richter and Helm AG. The company started its business activity, the first products developed in Biologics was launched. Despite the fact that the development of biosimilar products is a very long process, its operation was already profitable in 2022 and in 2023. The two owners wish to maintain the company on a permanent basis and consider the loss of its capital to be temporary, therefore recognition of impairment loss for the investment is not necessary.

## 16.2 Investments in associates

Details of the Company's direct and indirect associates are as follows:

| Name | Place of incorporation (or registration) and operation | Proportion of ownership % 31 Dec. 2023 | Proportion of ownership % 31 Dec. 2022 | Proportion of voting rights held % 31 Dec. 2023 | Proportion of voting rights held % 31 Dec. 2022 | Principal activity |
|---|---|---|---|---|---|---|
| Hungaropharma Zrt. | Hungary | 30.85 | 30.85 | 30.85 | 30.85 | Pharmaceutical wholesale |
| Pharmatom Kft. | Hungary | 24.00 | 24.00 | 24.00 | 24.00 | Biotechnological manufacturing |
| Top Medicina Bt. | Hungary | 20.00 | 20.00 | 20.00 | 20.00 | Pharmaceutical retail |
| VITA - Richter SP O.O.O. | Azerbaijan | 49.00 | 49.00 | 49.00 | 49.00 | Pharmaceutical retail |
| Pesti Sas Patika Bt. | Hungary | 49.00 | 49.00 | 49.00 | 49.00 | Pharmaceutical retail |
| Szondi Patika Bt. | Hungary | 33.00 | 33.00 | 33.00 | 33.00 | Pharmaceutical retail |
| Salvia-Med Bt. | Hungary | 32.80 | 32.80 | 32.80 | 32.80 | Pharmaceutical retail |
| Evestra Inc. | USA | 35.42 | 35.45 | 35.42 | 35.45 | Biopharmaceutical research and development |
| Prima-Temp Inc. | USA | 22.99 | 22.99 | 22.99 | 22.99 | Pharmaceutical research and development |

| Name | Date of establishment / acquisition | Place of incorporation (or registration) and operation | Proportion of ownership % 2023 | Proportion of ownership % 2022 | Proportion of voting rights held % 2023 | Proportion of voting rights held % 2022 | Principal activity |
|---|---|---|---|---|---|---|---|
| ProCare Health Iberia, S.L. | 07 2023 | Spain | 16.00 | - | 16.00 | - | Pharmaceutical wholesale |

| Name | 31 December 2023 HUFm | Event for the change in 2023 HUFm | Reason | 1 January 2023 HUFm |
|---|---|---|---|---|
| Hungaropharma Zrt. | 1,191 | - | | 1,191 |
| Evestra Inc. | 0 | (1,624) | Impairment | 1,624 |
| ProCare Health Iberia, S.L. | 2,654 | 2,654 | Acquisition | 0 |
| Other associates | 1 | - | | 1 |
| **Total** | **3,846** | **1,030** | | **2,816** |

| Name | 31 December 2022 HUFm | Event for the change in 2022 HUFm | Reason | 1 January 2022 HUFm |
|---|---|---|---|---|
| Hungaropharma Zrt. | 1,191 | - | | 1,191 |
| Evestra Inc. | 1,624 | - | | 1,624 |
| Prima-Temp Inc. | 0 | - | | 0 |
| Other associates | 1 | - | | 1 |
| **Total** | **2,816** | **-** | | **2,816** |

In 2019 the Company increased its shares in its associate company, **Evestra Inc.** On the one hand a convertible loan was converted into shares and on the other hand the Company purchased further shares. In 2020, Richter has terminated its license agreements for two products under development with Evestra Inc. Due to unfavourable market conditions and license agreements terminated the expected future cash-flows have significantly worsened. Based on the assumptions the recoverable amount of the investment is significantly lower than the book value therefore HUF 1,624 million impairment loss was recognized in 2023. The net book value of the investments in Evestra after the impairment loss is HUF 0 million as of 31 December 2023.

# 17. Non-current financial assets at amortised cost

## 17.1 Loans receivable

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

The loans receivables are loans given to related parties (subsidiaries and joint ventures), associates and third party (other loans) given loan, which are summarized in the table below:

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Loans given to related companies and other investments | 45,043 | 39,341 |
| Other loans given | 361 | 762 |
| **Total** | **45,404** | **40,103** |

The Company accounted for HUF 11,284 million loss allowance (which increased by HUF 772 million compared to the base year), of which stage I. is HUF 443 million, stage II. HUF 306 million and the remaining HUF 10,535 million is classified as stage III.

The Company has a loss allowance of HUF 890 million on the Russian and Ukrainian loans. Of this, HUF 24 million is included in stage I. and HUF 866 million in stage III.

Movements on the Company provision for impairment of loan receivables are as follows:

| | 31 December 2023<br>HUFm | Provision<br>HUFm | Reversal of impairment<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|---|---|
| Loans given to subsidiaries | 11,118 | 3,399 | 2,632 | 10,351 |
| Loans given to other investments | 159 | - | 2 | 161 |
| Other loans given | 7 | 7 | - | - |
| **Total** | **11,284** | **3,406** | **2,634** | **10,512** |

| **Analyze how Loan portfolio Balances migrate across the 3-stages** | **Loan book balance** | **of which. stage 1 (12-month ECL)** | **of which: stage 2 lifetime ECL** | **of which: stage 3 (credit impaired)** |
|---|---|---|---|---|
| **Gross carrying amount as at beginning of year (01 January 2023)** | **65,404** | **24,795** | **27,238** | **13,371** |
| Individual financial assets transferred to credit impaired | - | (4,305) | 4,305 | - |
| Individual financial assets transferred from credit impaired | - | 4,298 | (3,952) | (346) |
| **Sub-total** | **65,404** | **24,788** | **27,591** | **13,025** |
| New financial assets originated or purchased (new loans) | 11,173 | 6,286 | - | 4,887 |
| Financial assets that have been de-recognized | (17,740) | (2,797) | (14,943) | - |
| Other changes (repayment, disbursement, FX valuation) | 7,945 | 8,398 | 288 | (741) |
| **Gross carrying amount at end of year (31 December 2023)** | **66,782** | **36,675** | **12,936** | **17,171** |
| Net Cumulated write-offs | (11,284) | (443) | (306) | (10,535) |
| *of which: 2023 write-offs* | *(3,407)* | *(227)* | *(197)* | *(2,983)* |
| *of which: 2023 reversal* | *2,635* | *127* | *338* | *2,170* |
| Discounting of capital contribution (Subsidiary and joint ventures) | (1,134) | (1,084) | (50) | |
| **Net carrying amount at end of year (31 December 2023)** | **54,364** | **35,148** | **12,580** | **6,636** |

* Includes both short-term and long-term loans.

| **Reconciliation of the loan loss allowance** | **Total balance sheet allowance** | **of which. stage 1 (12-month ECL)** | **of which: stage 2 lifetime ECL** | **of which: stage 3 (credit impaired)** |
|---|---|---|---|---|
| **Loan loss allowance balance at the start of the year (01 January 2023)** | **10,512** | **343** | **447** | **9,722** |
| Transfer to lifetime ECL | - | (35) | 35 | - |
| Transfer to 12-month ECL | - | 38 | (24) | (14) |
| **Sub-total** | **10,512** | **346** | **458** | **9,708** |
| Write-offs | 3,334 | 189 | 162 | 2,983 |
| *of which: new financial assets originated or purchased (new loans - write-offs)* | 3,012 | *29* | - | *2,983* |
| Reversal | (2,562) | (92) | (314) | (2,156) |
| **Loan loss allowance balance at the end of the year (31 December 2023)** | **11,284** | **443** | **306** | **10,535** |

## 17.2 Government securities, corporate bonds and long-term deposits measured at amortised cost

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

The Company accounts for the part of securities at amortised cost model because the business model is hold to collect, and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Government securities, corporate bonds | 761 | 1,483 |
| Long-term deposits | - | 11,304 |
| **Total** | **761** | **12,787** |

# 18. Non-current financial assets carried at fair value through profit or loss

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

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Corporate bonds, government securities | 75,839 | 61,715 |
| Other financial asset (Mycovia) | 0 | 6,009 |
| **Total** | **75,839** | **67,724** |

The Company initially recognizes the corporate bonds, government securities and related interest rate swaps at fair value through profit or loss due to eliminate or materially reduce recognition or measurement inconsistencies (accounting mismatch) which would have existed, if the Company had not selected the fair value option. On this basis government securities and corporate bonds are subsequently measured at FVTPL.

On 16 October 2019, Gedeon Richter Plc. and Mycovia Pharmaceuticals Inc. signed a royalty purchase agreement according to which Richter acquires a certain portion of the net turnover of US sales of the future product (for more details see Note 14) for the purchase price of USD 25 million. The amount of purchased royalty right is presented as a financial asset and valued at fair value through profit or loss. The fair value of Mycovia financial assets was HUF 0 million at 31 December 2023. (HUF 6,099 million in 31 December 2022.) The sales of Mycovia US significantly fell short of expectations, due to the lack of active market advertising and the unapproved FDA license for Females of Reproductive Potential. The Company recognized a 100% impairment of value for the Mycovia financial investment in August 2023. The previously expected cash-flow data significantly underperformed compared to the actual data for 2023. We examined the percentage of success with a look-back test in quarterly horizon, but it showed a value close to 0%, even after 40% write off of the expected Cash-Flows in 2023.

The accounting policy and current year changes regarding derivative financial instruments are detailed in Note 11.

## 19. Non-current financial assets carried at fair value through OCI

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Government securities | 26,892 | 27,443 |
| Equity instruments | 36,326 | 35,318 |
| Investments | 45 | 45 |
| **Total** | **63,263** | **62,806** |

The Company has debt instruments (government securities, corporate bonds) managed under a different business model as a non-current financial assets at fair value through other comprehensive income (FVOCI), based on that the business model is achieved by both collecting contractual cash-flows and selling financial assets ("hold & sell" business model), and the contractual terms of the financial asset give rise on specified dates to cash-flows that are solely payments of principal (SPPI) and interest on the principal amount outstanding.

The Company recognised equity instruments as financial assets at fair value through other comprehensive income and applies the fair value option for these instruments, which are investments in Exchange Traded Funds. The received dividend was HUF 742 million related to these equity instruments.

Based on the management valuation, there are signs to make impairment for assets presented in FVOCI model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Company. The Company has three Russian financial instruments that are directly or indirectly affected. One of these are recorded at other comprehensive income (OCI) as non-current financial asset. During the calculation of the expected credit loss (ECL), the Company applied the DCF model. No quoted market price was available for the debt instrument from the first quarter of 2023, in the absence of the limited observable input data, we used a DCF model with a market yield curve and calculated an ECL according to the "sanction" risk premium. The additional risk premium parts were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage I., the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. In 2023 reversal of impairment was booked due to FX effect (HUF 10 million) accordingly the total amount of impairment was HUF 238 million.

In 2022, the Company gave the investment, is a 9.63% ownership in Themis Medicare Ltd as an apport to its 100% owned subsidiary, to RG Befektetéskezelő Kft.

# 20. Deferred tax

**Accounting policy**
A deferred tax liability or asset is recognized if the recovery of the carrying amount of an asset or the settlement of a liability will result in higher (or lower) tax payments in the future then if that recovery or settlement had no consequences. A deferred tax liability or asset is recognized for all such tax consequences that have originated but have not reversed by the balance sheet date, subject to certain exceptions.

*Deferred tax assets*
are the amounts of income taxes recoverable in future periods arising from:
- deductible temporary differences;
- the carry forward of unused tax losses;
- the carry forward of unused tax credits;
- temporary differences.

*Deferred tax liabilities*
are the amounts of income tax payable in future periods due to taxable temporary differences.
Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

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

Deferred tax is calculated by the balance sheet method based on the temporary differences. Deferred tax assets and liabilities in the Balance Sheet are as follows:

| | **31 December 2023** | **31 December 2022** Restated* |
|---|---|---|
| | HUFm | HUFm |
| Deferred tax assets | 16,032 | 16,536 |
| Deferred tax liabilities | - | - |

* See Note 50 on the details of restatement.

The movement in deferred income tax assets and liabilities during the year is as follows:

| **Deferred tax assets / (liabilities)** | **Invest-ments** | **PPE and intangible assets** | **Provi-sion** | **Impair-ment** | **Tax credits** | **Other temporary differences** | **Total** |
|---|---|---|---|---|---|---|---|
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **1 January 2022** | **(257)** | **1,686** | **417** | **674** | **-** | **2,736** | **5,256** |
| (Debited)/credited to the income statement | - | (231) | 9 | 363 | 13,495 | (2,856) | **10,780** |
| (Debited)/credited to other comprehensive income | 599 | - | (99) | - | - | - | **500** |
| **31 December 2022 (Restated*)** | **342** | **1,455** | **327** | **1,037** | **13,495** | **(120)** | **16,536** |
| (Debited)/credited to the income statement | - | (280) | (77) | 108 | (299) | 31 | **(517)** |
| (Debited)/credited to other comprehensive income | (151) | - | 164 | - | - | - | **13** |
| **31 December 2023** | **191** | **1,175** | **414** | **1,145** | **13,196** | **(89)** | **16,032** |

* See Note 50 on the details of restatement.

Of the amount of deferred taxes presented above, deferred tax liability of HUF 309 million 31 December 2023 was offset against deferred tax assets according to IAS 12. (In 2022 HUF 290 million.)

Temporary differences arising in connection with interest in subsidiaries, associates and joint ventures on which no deferred tax was provided for as a result of deferred tax exception in IAS 12 is not significant.

## 21. Other long-term receivable

**Accounting policy**
Government grants related to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants related to property, plant and equipment are included in Other non-current liabilities and accruals in the Balance Sheet and credited to the income statement as Other income on a straight-line basis over the expected useful life of the related assets.

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| | HUFm | HUFm |
| Government grants | 3,135 | 2,345 |
| Loans given to employees | 337 | 375 |
| **Total** | **3,472** | **2,720** |

The Company was granted government grant related to property, plant and equipment and research and development activities. As at the end of 2023 HUF 3,135 million was approved but not financially settled, due over one year as long term receivables. (At the end of 2022: HUF 2,345 million) Current portion of related asset is disclosed in Note 25.

# 22. Inventories

**Accounting policy**

At the end of the year, the purchased inventories valuation will take place at a weighted purchase price taking into account the amount of closing stock, less the amount of impairment and increasing the value of the reversed impairment.

The cost of self-manufactured inventories is the calculated actual production cost. Costs of own produced inventories include the direct cost of raw materials, the actual cost of direct production labour, the related maintenance and depreciation of production machinery and related direct overhead costs.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Raw materials, packaging and consumables | 53,756 | 45,848 |
| Production in progress | 823 | 411 |
| Semi-finished and finished goods | 75,200 | 67,956 |
| **Total** | **129,779** | **114,215** |

The 2023-year end balance of inventory increased by almost 14% (HUF 15.6 billion) compared to the end of the comparative period.
The value of purchased stock increased by 17.3%, while the value of self-produced inventory increased by 11.2%. The self-production inventories in process was by 67.4% higher than the value of the previous year, which still does not represent a significant item within the year -end inventories.

There was a moderate increase in the value of inventories in both purchased and own-produced finished products (HUF 5.2 billion and HUF 5.5 billion). Within the portfolio continued the rise of high value – added products that are closely related to the speciality pharma transformation. Regarding raw materials and own produced active substances the products still under development phase or API's and intermediates of the products launched in last years, as well as manufacturing schedule with ensuring the safety stock levels formed the higher value of inventories in the current year also.

In 2023, impairment of HUF 5,172 million was recorded and HUF 223 million was reversed, while HUF 6,811 million and HUF 512 million respectively in 2022. The main reasons for impairment and scrapping are the obsolescence of the inventory and the unfavourable changes of the market conditions of the given products. The reversal of impairment is due to the change of market conditions.

On 31 December 2023 the total book value of inventories that are presented at net realizable value did not change, remained amounts to HUF 112 million, as of 31 December 2022 it was also HUF 112 million.

All items of Inventories are free from liens and charges.

# 23. Contract assets

**Accounting policy**

The Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance), less allowance.

The Company has recognised the following assets related to the contracts with customers based on IFRS 15**:**

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Current contract assets | 5,417 | 4,254 |

The amount of allowance for impairment is not material, therefore it is not presented.

# 24. Trade receivables

**Accounting policy**

Receivables are measured at cost, less impairment and adjusted by reversal of the previously recognized impairment as described in accounting policy section in Note 9 above.
Realized exchange gains or losses arising on the settlement of foreign currency receivables shall be recognized directly in the net financial income/(loss) using the exchange rate applicable on the date of the financial settlement. At the end of the period, outstanding amounts of receivables must be revalued using the exchange rate specified in the Accounting Policy, and unrealized gains or losses are recognized in the net financial income/(loss). In case of receivables, cost value is transaction value according to the related invoice less the value of the expected discounts and adjusted by discounting in the case of outstanding long-term receivables. Receivables adjusted with estimated discounts should be classified in accordance with its substance, so in case of credit balance is presented as liability in the Balance Sheet.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Trade receivables (3rd parties) | 117,980 | 93,239 |
| Amounts due from related companies and other participations | 160,035 | 117,046 |
| **Total** | **278,015** | **210,285** |

Movements on the Company provision for impairment of trade receivables are as follows:

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| **At 1 January** | **1,105** | **2,331** |
| Provision for receivables impairment | 465 | 169 |
| Reversal of impairment for trade receivables, withdrawal | (277) | (1,395) |
| **At 31 December** | **1,293** | **1,105** |

**Impairment of trade receivables (HUFm)**

| 31 December 2023 | Current | 1-30 days past due | 31-90 days past due | 91-180 days past due | 181-360 days past due | >360 days past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0.13% | 0.22% | 0.32% | 0.39% | 1.01% | 77.78% | **0.46%** |
| Gross carrying amount – trade receivables | 208,191 | 16,011 | 34,928 | 18,068 | 1,093 | 1,017 | **279,308** |
| Loss allowance | 274 | 35 | 112 | 70 | 11 | 791 | **1,293** |

| 31 December 2022 | Current | 1-30 days past due | 31-90 days past due | 91-180 days past due | 181-360 days past due | >360 days past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | 0.02% | 0.05% | 0.37% | 0.30% | 0.28% | 79.86% | **0.52%** |
| Gross carrying amount – trade receivables | 196,248 | 6,653 | 4,103 | 1,654 | 1,421 | 1,311 | **211,390** |
| Loss allowance | 31 | 3 | 15 | 5 | 4 | 1,047 | **1,105** |

## 25. Other current assets

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Loans given to employees | 215 | 201 |
| Other receivables | 12,844 | 19,062 |
| Prepayments | 1,168 | 1,954 |
| Tax and duties recoverable | 4,017 | 975 |
| Advances | 5,754 | 5,798 |
| Prepayments | 3,433 | 3,336 |
| **Total** | **27,431** | **31,326** |

The Company presents approved but not financially settled grants amount of HUF 1,832 million due within 1 year, related to acquisition of property, plant and equipment and research and development activities. (In 2022: HUF 2,243 million)

## 26. Current financial assets at amortised cost

Current financial assets measured at amortised cost contains the loans receivables are given to related parties and other given loans, that are due within a year. The relevant part of accounting policy can be found in Note 9 and 17.

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Loans given to related parties | 8,418 | 23,340 |
| Other loans given | 542 | 16,478 |
| Government securities, corporate bonds | 5,312 | 27,807 |
| **Total** | **14,272** | **67,625** |

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition, and reviews it in every year. Based on the management valuation, there are signs to make impairment for assets presented in AC model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Company. The Company has three Russian financial instruments that are directly or indirectly affected. One of these is recorded at amortised cost as current asset. During the calculation of the expected credit loss (ECL), the Company applied the DCF model with market yield curve and "sanction" risk premium. The calculated ECL is the difference between the present value of the expected future cash-flows and book value at amortised cost. The difference was impaired in the P&L. There are currently no delays in coupon payments, mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage III. (significantly changed the probility of default in 2023), the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. In 2023 an impairment was booked in amount of HUF 689 million as a result of this the bond was impaired 100% (HUF 710 million).

The impairment of loans related to current financial assets at amortised cost are detailed in Note 17.

## 27. Current financial assets carried at fair value through other comprehensive income

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---:|---:|
| Government securities, corporate bonds | 1,454 | 1,536 |
| Other securities | - | - |
| **Total (Note 9)** | **1,454** | **1,536** |

The Company accounts for the government securities, corporate bonds at fair value through OCI model because the business model is hold to collect and sell and the SPPI (Solely Payments of Principal and Interest) test is met. The relevant part of the accounting policy can be found in Note 9.

Based on the management valuation, there are signs to make impairment for assets presented in FVOCI model because significant increase in credit risk. Due to the Russian-Ukrainian war, financial instruments which are affected by Russian and Ukrainian involvement were also reviewed by the Company. The Company has three Russian financial instruments that are directly or indirectly affected. One of these are recorded at other comprehensive income (OCI) as current financial asset. During the calculation of the expected credit loss (ECL), the Company applied the DCF model. No quoted market price was available for the debt instrument from the first quarter of 2023, in the absence of the limited observable input data, we used a DCF model with a market yield curve and calculated an ECL according to the "sanction" risk premium. The additional risk premium parts were reclassified from other comprehensive income (OCI) to impairment (P&L). There are currently delays in principal and coupon payments (more than 90 days), mainly the change in the market environment affected the settlements of ECL. The ECL is registered in stage III. (significantly changed the probility of default in 2023), the impairment loss was initially accounted for in Q1 2022, and since then it has been continuously reviewed based on the mentioned DCF model. The total impairment amount was 100% (HUF 1,723 million), in 2023 an impairment was booked HUF 1,696 million.

Foreign currency forwards are measured at fair value, and the relevant part of accounting policy and details can be found in Note 11.

# 28. Current tax assets and liabilities

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Current tax assets | 182 | - |
| Current tax liabilities | 865 | 2,856 |

# 29. Cash and cash equivalents

**Accounting policy**

In the Cash-flow Statement Cash and cash equivalents consist of cash, bank deposits and cash equivalents: in practice, they are securities that are used to settle short-term financial liabilities, and are not held for investment or other purposes, typically have an expiration date of up to 3 months from the date of purchase (e.g. debt securities). In the Balance Sheet the overdrafts are presented in line Borrowings, within current liabilities.

## 29.1 Cash and cash equivalents

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Bank deposits | 52,851 | 51,380 |
| Cash on hand | 6 | 5 |
| **Total** | **52,857** | **51,385** |

The total amount of Cash and cash equivalents as of 31 December 2023 and 31 December 2022 was short term demand deposit and bank deposit. It is denominated in EUR, USD, HUF and other currencies which is presented in more details in Note 9.

## 29.2 Reconciliation to cash-flow statement

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Cash and cash equivalents | 52,857 | 51,385 |
| Cash-pool receivable | - | 8,509 |
| Cash-pool overdraft | (11,125) | (1,205) |
| **Total** | **41,732** | **58,689** |

The Company recognises the assets according to the IFRS of daily liquidity management as a part of the cash and cash equivalents. The Cash-pool liability includes the liabilities exposure with the Hungarian subsidiaries.

# 30. Share capital and reserves

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| **Share capital** | Number | HUFm | Number | HUFm |
| Ordinary shares of HUF 100 each | 186,374,860 | 18,638 | 186,374,860 | 18,638 |

Detailed ownership structure of the Company on 31 December 2023:

| **Ordinary shares** | **Ownership number** | **Voting rights* %** | **Share capital %** |
|---|---|---|---|
| **Domestic ownership** | **61,831,855** | **33.75** | **33.18** |
| State ownership total | 126 | 0.00 | 0.00 |
| out of which MNV Zrt. | - | - | - |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 54,883,394 | 29.96 | 29.45 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.17 | 10.00 |
| out of which Mathias Corvinus Collegium Foundation (MCC) | 18,637,486 | 10.17 | 10.00 |
| out of which Foundation for National Health and Education of Medical Doctors | 9,777,658 | 5.34 | 5.25 |
| Retail investors | 6,948,335 | 3.79 | 3.73 |
| **International ownership** | **120,929,497** | **66.02** | **64.88** |
| Institutional investors | 120,585,433 | 65.83 | 64.70 |
| out of which FMR LLC | 9,457,941 | 5.16 | 5.07 |
| Retail investors | 344,064 | 0.19 | 0.18 |
| **Treasury shares and shares transferred to ESOT**** | **3,601,971** | **0.22** | **1.93** |
| **Undisclosed ownership** | **11,537** | **0.01** | **0.01** |
| **Share capital** | **186,374,860** | **100.00** | **100.00** |

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares have no voting rights.

Detailed ownership structure of the Company on 31 December 2022:

| **Ordinary shares** | **Ownership number** | **Voting rights* %** | **Share capital %** |
|---|---|---|---|
| **Domestic ownership** | **62,278,172** | **33.42** | **33.42** |
| State ownership total | 126 | 0.00 | 0.00 |
| out of which Municipality | 126 | 0.00 | 0.00 |
| Institutional investors | 54,918,917 | 29.47 | 29.47 |
| out of which Maecenas Universitatis Corvini Foundation | 18,637,486 | 10.00 | 10.00 |
| out of which Mathias Corvinus Collegium Foundation (MCC) | 18,637,486 | 10.00 | 10.00 |
| out of which Foundation for National Health and Education of Medical Doctors | 9,777,658 | 5.25 | 5.25 |
| Retail investors | 7,359,129 | 3.95 | 3.95 |
| **International ownership** | **123,657,438** | **66.35** | **66.34** |
| Institutional investors | 123,442,704 | 66.24 | 66.23 |
| out of which FMR LLC | 9,457,941 | 5.08 | 5.07 |
| Retail investors | 214,734 | 0.11 | 0.11 |
| **Treasury shares and shares transferred to ESOT**** | **428,650** | **0.22** | **0.23** |
| **Undisclosed ownership** | **10,600** | **0.01** | **0.01** |
| **Share capital** | **186,374,860** | **100.00** | **100.00** |

* Article 13.8 of the Statutes restricts the voting rights of shareholders, alone or together with other related persons to no more than 25%.
** The treasury shares have no voting rights.

Data in the above table were compiled based on the share registry amended with information provided by KELER Zrt. as clearing company, global custodians and nominees.

The Company has neither direct Parent nor Ultimate Controlling Party.

### Share premium

It contains the difference between the face value and the issuing value.

### Capital Reserves

Those capital contributions can be found here, that are not part of the face value of the share or the share premium.

**Revaluation reserve for financial assets at FVOCI (based on IFRS 9)**

When measuring financial assets measured at fair value through OCI (Note 16, 19, 27), the difference shall be recognized as Revaluation reserve for financial assets at FVOCI.

| | Revaluation reserves for financial assets at fair value through other comprehensive income<br>HUFm |
|---|---|
| **At 1 January 2022** | **977** |
| Current year change in the fair value of debt instruments measured at FVOCI | (3,302) |
| Current year change in the fair value of equity instruments measured at FVOCI | (665) |
| Reserve of derecognised debt instrument | 2,782 |
| Reserve of derecognised equity instrument | (2,775) |
| Deferred tax effect | 342 |
| **At 31 December 2022** | **(2,641)** |
| Current year change in the fair value of debt instruments measured at FVOCI | 149 |
| Current year change in the fair value of equity instruments measured at FVOCI | 137 |
| Reserve of derecognised debt instrument | - |
| Reserve of derecognised equity instrument | - |
| Deferred tax effect | (151) |
| **At 31 December 2023** | **(2,506)** |

Deferred tax is accounted for, related to the taxable temporary difference of the investments carried at FVOCI. (See details Note 20.)

**Cash-flow hedge reserve**

The cash-flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash-flow hedges, as described in Note 11.
The effective portion is accounted at fair value on the balance sheet date. At the recognition of hedged items (royalty income/payments for natural gas and electricity) the accumulated result is reclassified from cash-flow hedge reserve to profit or loss (revenue/operating expenses). The subsequent financial exchange rate effects on the foreign exchange transaction are recognized in the unrealized financial result of the cash-flow hedging transaction until the transaction is closed, when it is reclassified to realized financial result. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in P&L. The maturity value of the commodity TTF swap transaction is entirely affected the operating expenses, except for the ineffective part, which is presented in the financial result.

| | **Foreign exchange and market price risk** HUFm |
|---|---|
| **At 1 January 2022** | **(23)** |
| Change in fair value of hedging instrument recognised in OCI | (8,432) |
| Reclassified from OCI to profit or loss - hedged item has affected profit or loss | 9,275 |
| *of which: reclassified to operating profit or loss* | *9,180* |
| *of which: reclassified to finance loss* | *95* |
| **At 31 December 2022** | **820** |
| Change in fair value of hedging instrument recognised in OCI | 18,093 |
| Reclassified from OCI to profit or loss - hedged item has affected profit or loss | (12,367) |
| *of which: reclassified to operating profit or loss* | *(9,172)* |
| *of which: reclassified to finance (gain)* | *(3,195)* |
| **At 31 December 2023** | **6,546** |

In 2023, an amount of HUF 6,546 million fair value difference was accumulated in Other comprehensive income, of which HUF 820 million was in 2022 and HUF 5,726 million in 2023. From this reserve, HUF 9,172 million was transferred to revenue and operating cost correction during the current financial year, and a gain of HUF 3,195 million to the unrealized and realized financial result at the time when the foreign in- and outflow cash was settled. The ineffective part related to natural gas hedging instruments (commodity swaps and forward currency transactions) was loss of HUF 277 million.

**Equity-settled share-based payment presented within retained earnings**

Equity-settled employee benefits reserve is presented within Retained earnings, therefore the current year's effect is shown in the Statement of Changes in Equity.
The reserve contains equity-settled share-based payments to employees measured at the fair value of the equity instruments at the grant date. Please see more details in Note 31 Treasury shares.

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Expense recognized in current year | 3,671 | 2,914 |
| Treasury share given (Note 31) | (3,757) | (3,545) |
| Repurchase obligation from ESOP | 37 | 888 |
| **Total changes in reserve presented in the Statement of Changes in Equity** | **(49)** | **257** |

# 31. Treasury shares

**Accounting policy**

The Company is granting treasury shares to certain employees in its employee share bonus programs. These bonus programs are accounted for as equity-settled share-based payments.

It is the intention of the Company to grant Treasury shares to Management and employees as part of its remuneration policy. The Company is operating three share-based payment programs, described below in more details. The bonus program vest immediately, while the shares granted under the Staff Stock Bonus Plan have a vesting condition of employment at the end of the deposit period also described below. In 2022 and 2023, the Company launched the Employee's Share-Ownership Programme, according to which a worker receives a benefit after the conditions specified in the program have been met.

Bonus program
Richter operates a bonus share program since 1996 to further incentivise managers and key employees of the Company. In 2017, the program was redesigned: the bonus for managers was paid in cash. As a result in 2023, 5,270 shares were granted to 178 key employees of the Company, while in 2022, 255 employees were granted. The total number of shares distributed were 9,240.

Employee's Share- Ownership Programme (ESOP)
In order to strengthen the performance and loyalty of senior executives and senior employees, the Company started Employee's Share- Ownership Programme (ESOP) in 2018.
The Company established the ESOP Organization and approved the ESOP Organization's Remuneration Policy for two years in 2022 and in 2023 as well. The total amount related to the Remuneration Policy was HUF 1.8 billion in 2022, and HUF 1.6 billion in 2022. Since management considers the amount not to be material in compared to the financial statements as whole, therefore further IFRS 2 disclosures are not presented. Regarding each participant, the Company transferred a certain number of shares to the ESOP Organization, determined by the market value of the transferred shares and the determined amount of the remuneration. The shares cannot be disposed until the end of the evaluation period.
The benefit is only vested if the remuneration condition is met. Remuneration condition: the level of the unweighted average consolidated revenues realized in the measurement period shall exceed the consolidated revenues of the comparative period.

Staff Stock Bonus Plan
Pursuant to a program related to employee share bonuses (Staff Stock Bonus Plan 2023), the Company granted 256,596 treasury shares to 4,881 employees in 2023. The shares will be deposited on the employees' security accounts with UniCredit Bank Hungary Ltd. until 2 January 2026 which means the end of vesting period. In 2022, 281,392 treasury shares were granted to 4,847 employees which will be deposited on the employees' security accounts until 2 January 2025.

Share buy-back programme
On 4 April 2023, the Board of Directors of the Company, having considered shareholders' expectations, decided on a 12-month share buyback programme of up to a cumulative maximum amount of HUF 40 billion as part of shareholder remuneration in addition to the proposed dividend as previously announced. The decision was taken in accordance with improving financial results and cash generation of the Company. The implementation of the share repurchase program commenced on 6 April 2023, with the involvement of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt. as investment companies. Within the share repurchase program the Company has purchased with the cooperation of UniCredit Bank Hungary Zrt. and Raiffeisen Bank Zrt in the Budapest Stock Exchange 3.339.591 treasury shares at an average price of 8.719 HUF/share (average price excluding fees) by 31 December 2023.

| **Treasury shares** | **2023** Numbers | **2022** Numbers |
|---|---|---|
| **at 1 January** | **18,274** | **59,471** |
| Share purchase | 3,419,948 | 157,665 |
| Transferred as part of bonus program | (5,270) | (9,240) |
| Individual bonuses | - | - |
| Transferred to ESOP | (4,177) | 65,386 |
| Granted pursuant to employee share bonuses | (256,596) | (281,392) |
| Granted repurchased pursuant to employee share bonuses | 18,239 | 26,384 |
| **at 31 December** | **3,190,418** | **18,274** |

| **Book value** | **2023** HUFm | **2022** HUFm |
|---|---|---|
| **at 1 January** | **157** | **512** |
| Share purchase | 29,825 | 1,325 |
| Transferred as part of bonus program | (40) | (67) |
| Individual bonuses | - | - |
| Transferred to ESOP | (108) | 385 |
| Granted pursuant to employee share bonuses | (2,053) | (2,201) |
| Granted repurchased pursuant to employee share bonuses | 153 | 203 |
| **at 31 December** | **27,934** | **157** |

## 32. Non-current financial liabilities at fair value through profit or loss

**Accounting policy**

Th Company may hold a variety of derivative financial instruments to manage its interest rate and foreign currency risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps and options.
Derivatives are initially recognized at fair value at the inception of the contract and are remeasured to fair value at the end of each reporting period.

Accounting principles of Non-current financial liabilities are described more specifically in Note 9.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Debt on issue of bonds | 52,615 | 39,843 |
| Other non-current financial liabilities at FVTPL | 2,828 | 2,479 |
| **Total** | **55,443** | **42,322** |

**Debt on issue of bonds**

On 2 June 2021 the Company held a successful auction for qualified investors and received funding in the amount of HUF 70,273 million from the issued bonds. The issuance was held in the frame of the Bond Funding for Growth Scheme ("NKP") of the Hungarian National Bank that aims to improve the efficiency of monetary policy transmission and increasing the liquidity of the corporate bond market.

The "RICHTER 2031 HUF Bonds" (short name: RICHTER31) were issued with following terms:
- Total face value: HUF 70,000 million
- Maturity: 10 years
- Repayment schedule of the principal: 10-10-10% in 2028, 2029 and 2030, 70% at maturity in 2031
- Coupon amount: 1.75% per annum
- Settlement date of interest and principal: 4th June respectively.

Financial liability derived from the issuance of bonds was initially recognised at fair value (HUF 63,213 million) that amount was calculated based on the price offered by independent market participants on the closed auction. The amount of premium received at issuance (HUF 7,060 million) is presented among Other non-current liabilities and accruals on the balance sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond.

The Company decided to apply the fair value option and designated the financial liability from the bond issuance as subsequently measured at fair value through profit or loss. This accounting policy choice significantly reduces a recognition and measurement inconsistency that would arise from the accounting treatment of the bond at fixed interest rate and the interest rate swaps (IRS) aiming to manage the fair value risk of the underlying financial instrument. For detailed information please see Note 11.

The balance of debt on issue of bonds was HUF 53,840 million on 31 December 2023 of which HUF 1,225 million was transferred to Current financial liabilities at fair value through profit or loss (can be found in Note 39). In 2023, the Company paid HUF 1,225 million interest (HUF 1,225 million in 2022).

The fair value of the financial liability derived from the issuance of bonds was classified as Level 2 because of the lack of an active market. The Company used the discounted cash-flow method to determine the fair value of the liability and discounted the cash-flows from payments of interest and principal. The discount rate was calculated based on the relevant zero-coupon rates as at the date of valuation and considered a margin between the commercial bank offers at the auction and the yield of the government bonds.

**Other non-current financial liabilities at FVTPL**

Other financial liabilities at FVTPL contains the fair value of IFRS 2 Share-based payments in amount of HUF 3,355 million, of which HUF 1,803 million is a long-term liability and HUF 1,552 million is a short-term liability (see Note 39).

Financial derivative instruments are presented and detailed in Note 11.

# 33. Lease liabilities

**Accounting policy**

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for leases in the Company, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
The Company applies comparative pricing method for calculating interest rate. The reference interest rate is determined based on public data related to the specific market taking into consideration the amount, currency, maturity date of the transaction, the borrower’s business sector and the purpose of the financing.

Depreciation are allocated between cost of sales, operating expenses. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*Exemptions*
Contracts may contain both lease and non-lease components. The Company applies the practical expedient and does not separate non-lease components from lease components and accounts for any lease components and associated non-lease components as a single lease component.

Payments associated with short-term leases for all assets and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets (that the underlying assets, when new, are individually low value that is under HUF 1.5 million) comprise IT and office equipment.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Non-current lease liabilities | 2,286 | 1,324 |
| Current lease liabilities | 939 | 634 |
| **Total** | **3,225** | **1,958** |

In 2023 and 2022, the Company leases various buildings, machineries and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years.
Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.
Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The variable payment terms that are not based on an index or a rate are not part of the lease liability. Such variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

<u>Extension and termination options</u>
Extension and termination options are included in a number of property and equipment.

## 34. Other non-current liabilities and accruals

| | 31 December 2023 HUFm | 31 December 2022 HUFm |
|---|---|---|
| Government grant - deferred income | 8,002 | 6,736 |
| Government grant - prepayments received | 1,302 | 1,560 |
| Premium of Bond Funding for Growth Scheme | 4,458 | 5,197 |
| **Total** | **13,762** | **13,493** |

Government grants relate to acquisition of property, plant and equipment and research and development activities.
For relevant accounting policy see Note 21.

The amount of premium received at bond issuance is presented among Other non-current liabilities and accruals on the balance sheet and subsequently recognized in the profit or loss as financial income on a systematic basis over the term of the bond. For detailed information please see Note 32.

## 35. Provisions

**Accounting policy**

Provisions should be made for:
- sanctions and remediation costs related to environmental damage, which will lead to outflow of resources representing economic benefits regardless of the Company's future actions;
- the expected liabilities in respect of non-closed litigation cases, if it is probable that the Company will have a payment obligation as a result of the decision;
- as a guarantee and guarantee commitment if the amount of the expected payment can be estimated from previous practice;
- long-term defined (retirement) benefit plans;
- for other long-term employee benefits (jubilee bonus);
- reorganization costs if the general conditions for provisioning are met.

If it is no longer probable that economic resources will be required to fulfil the obligation, the provision should be reversed. The provision may be used only for the input for which it was originally recognized.

*Pension program and other long-term employee benefits*
The Company pays benefit to retiring employees according to the Collective Agreement as defined-benefit.
As an additional benefit, the Company financially rewards those employees who had been employed for significant period. This amount is paid in the subsequent year the employee reaches the end pf the specific jubilee period and it is accounting for as other long-term employee benefit through profit or loss.

Defined benefit pension plan
The Company operates a post-employment defined benefit program, which is presented as Provision in the Balance Sheet. In line with IAS 19 for post-employment retirement benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The estimated amount of the benefit is accounted in equal amounts each period until maturity date (straight line method) and valued at present value by using actuarial discount rate. Service costs and interest expense are recognised in the profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions regarding defined benefit plans are charged in the

Retained Earnings (presented in other comprehensive income as item that is not reclassified later in profit and loss).

Defined contribution plans

For defined contribution plans the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Termination benefit

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Other short term provisions | 139 | 286 |
| Long term provisions – for jubilee programs | 587 | 511 |
| Long term provisions – for retirement benefits | 3,873 | 2,835 |
| **Total** | **4,599** | **3,632** |

The provision of the Company at the given period of time:

| | 31 December 2023<br>HUFm | Reversal<br>HUFm | Provision<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|---|---|
| Compensation | 139 | (260) | 113 | 286 |
| Long term provisions – to defined benefit liabilities (according to actuarial valuations) | 4,460 | (256) | 1,370 | 3,346 |
| Other | - | | | - |
| **Total** | **4,599** | **(516)** | **1,483** | **3,632** |

| | 31 December 2022<br>HUFm | Reversal<br>HUFm | Provision<br>HUFm | 31 December 2021<br>HUFm |
|---|---|---|---|---|
| Compensation | 286 | - | 260 | 26 |
| Long term provisions – to defined benefit liabilities (according to actuarial valuations) | 3,346 | (1,661) | 398 | 4,609 |
| **Total** | **3,632** | **(1,661)** | **658** | **4,635** |

**Defined retirement benefit plans at the Company**

**Actuarial valuation related to retirement benefit plans**

According to the Collective Agreement of Gedeon Richter Plc., if the Employee is eligible for an old-age pension or disability care and his/her employment is being terminated for that reason by either parties unilaterally or by mutual consent, or the Employee retire in the end of a fix-term employment contract, the Employer may provide

a) 1 month's absentee pay after an uninterrupted employment relationship of at least 15 years at the Employer
b) 2 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 30 years at the Employer
c) 3 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 35 years at the Employer
d) 4 months' + 45 days' absentee pay after an uninterrupted employment relationship of at least 40 years at the Employer

in addition to his/her other emoluments, if the following exclusion does not arise.

As a prior obligatory condition of payment, the Employee shall not engage in any misconduct which may lead to the immediate termination of his/her employment, until the closing of the employment.
For renumerations defined in subsections b)-d) above, the Employee is entitled to an additional absentee pay equal to 45 calendar days, except if the Employee is exempted from work for a longer period.
Provided that the exemption period is longer than 45 days, the entitlement period for the absentee pay (for the "uninterrupted employment relationship at the Employer") determined at subpoints a)-d) shall be reduced by the amount exceeding the 45 days of the exemption period.

**The valuation method**

In line with IAS 19, defined benefit obligation was calculated by using Projected Unit Credit Method. The estimated amount of the benefit shall be accounted in equal amounts for each period until the maturity date (straight line method) and valued at present value by using actuarial discount rate.

Any reasonable change in the key assumptions is not expected to result in a significant change in the value of provision therefore a detailed sensitivity analysis is not required for the variables of the valuation model.

The calculation is applied for all employees employed at the balance sheet date.

| | **2023**<br>HUFm | **2022**<br>HUFm |
|---|---:|---:|
| Opening value of retirement benefit | 2,835 | 3,824 |
| Interest costs (charged to the P&L) | 355 | 122 |
| Service costs (charged to the P&L) | 141 | 197 |
| Settlement | (173) | (202) |
| Actuarial loss/(gain) (charged to the OCI) | 715 | (1,106) |
| **Retirement benefit liability** | **3,873** | **2,835** |

**The principal actuarial assumptions were as follows:**

The increase in the amount of the underlying benefit reflected long-term risk-free rates.

**Discount rate**

The discount calculation is made on "the basis of available high-quality corporate bonds or, in the absence thereof, of government securities in the given market."
The applied discount curve was determined on the basis of the reference yields of Hungarian government securities, using a Nelson-Siegel curve fitting, based on the market yields at the end of 2023 and 2022.

| Year | Discount rate | Year | Discount rate | Year | Discount rate | Year | Discount rate | Year | Discount rate |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 6.24% | 11 | 5.90% | 21 | 6.15% | 31 | 6.38% | 41 | 6.53% |
| 2 | 6.12% | 12 | 5.92% | 22 | 6.18% | 32 | 6.40% | 42 | 6.54% |
| 3 | 6.04% | 13 | 5.94% | 23 | 6.21% | 33 | 6.42% | 43 | 6.55% |
| 4 | 5.97% | 14 | 5.97% | 24 | 6.23% | 34 | 6.43% | 44 | 6.57% |
| 5 | 5.93% | 15 | 5.99% | 25 | 6.25% | 35 | 6.45% | 45 | 6.58% |
| 6 | 5.90% | 16 | 6.02% | 26 | 6.28% | 36 | 6.46% | 46 | 6.59% |
| 7 | 5.88% | 17 | 6.05% | 27 | 6.30% | 37 | 6.48% | 47 | 6.60% |
| 8 | 5.88% | 18 | 6.07% | 28 | 6.32% | 38 | 6.49% | 48 | 6.61% |
| 9 | 5.88% | 19 | 6.10% | 29 | 6.34% | 39 | 6.51% | 49 | 6.61% |
| 10 | 5.89% | 20 | 6.13% | 30 | 6.36% | 40 | 6.52% | 50 | 6.62% |

**Distribution of probability of resigning in terms of the age of employees and the duration of their employment**

The exit rates used were determined by analyzing the historical data of the Company.

Annual average rate of fluctuation used in the calculation:

| Age | Annual average rate of fluctuation 2023 | Annual average rate of fluctuation 2022 |
|---|---|---|
| 0-25 | 12.8% | 11.8% |
| 26-30 | 11.6% | 10.9% |
| 31-35 | 9.2% | 8.9% |
| 36-40 | 8.3% | 8.0% |
| 41-45 | 7.1% | 6.5% |
| 46-50 | 5.7% | 5.0% |
| 51-55 | 4.7% | 4.2% |
| 56-60 | 3.9% | 3.5% |
| 61- | 3.9% | 3.4% |

**Sensitivity analyses**

The following sensitivity analyses have been carried out in conjunction with employee benefits:
- Shifting the discount curve by -50 basis points (-0.5%)
- Shifting the discount curve by 50 basis points (+0.5%)
- 50 basis points lower inflation rate (-0.5%)
- 50 basis points higher inflation and index rate (+0.5%)
- 25% decline in annual resignation rates (-25%)
- 25% increase in annual resignation rates (+25%)
- For mortality rates, value calculated without the 50% selection factor (population mortality data)

| | Sensitivity | Pension liability | Jubilee benefit | Total liability | Change (%) |
|---|---|---|---|---|---|
| Value of liability | | 3,873 | 587 | 4,460 | |
| Reduced discount curve | -0.50% | 4,072 | 604 | 4,676 | 5% |
| Increased discount curve | 0.50% | 3,689 | 570 | 4,259 | -4% |
| Lower inflation rate | -0.50% | 3,688 | 587 | 4,275 | -4% |
| Higher inflation and index rate | 0.50% | 4,092 | 608 | 4,700 | 5% |
| Reduced rate of fluctuation | 75% | 5,047 | 701 | 5,748 | 29% |
| Increased rate of fluctuation | 125% | 3,086 | 500 | 3,586 | -20% |
| Mortality data | 100% | 3,639 | 572 | 4,211 | -6% |

A 50 basis point shift in the discount curve results in a 5% higher or 4% lower liability value. A 50 basis point decrease in wage inflation results in a 4% decrease in the provision, while a 50 basis point increase in the inflation rate and indexation results in a 5% increase in the provision with all other assumptions held constant.
The model is sensitive to the value of the resignation rate, as illustrated by the fact that a reduction in the rates to 75% results in a 29% increase in the liability, while an increase in the rates to 125% results in an 20% decrease in the year-end value of provisions.
In addition, using population mortality data instead of applying a 50% selection factor would result in a 6% lower provision value.

## 36. Borrowings

**Accounting policy**

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The credits are not secured by registered mortgages on real estates and inventories.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Borrowings non-current | - | - |
| Borrowings current | 22,762 | 1,205 |
| **Total** | **22,762** | **1,205** |

The Company does not have any non-current borrowings.
Current borrowings consist of loans taken cash-pool and subsidiaries loan liabilities on 31 December 2023 in amount of HUF 22,762 million, on 31 December 2022 in amount of HUF 1,205 million.
The Company also has arbitrage and short term financing transactions.

## 37. Trade payables

**Accounting policy**
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Trade payables (3rd parties) | 37,309 | 31,391 |
| Amount due to related companies and other participations (Note 48) | 15,212 | 18,445 |
| **Total (Note 9)** | **52,521** | **49,836** |

# 38. Contract liabilities

**Accounting policy**

If a customer pays consideration or the Company has a right to an amount of consideration that is unconditional before the entity transfers a good or service to the customer, the Company shall present the contract as a contract liability when the payment is made or the payment is due. A contract liability is an obligation of the Company to transfer goods and services to a customer for which the Company has received consideration from the customer.

The Company in the separate IFRS Financial Statement does not have any contract liabilities balance.

# 39. Current financial liabilities at fair value through profit or loss

The Company recognises the coupon payment of „RICHTER31" bond, that is due in 2023 as a current liability at fair value in amount of HUF 1,225 million. The applied accounting policy and measurement method can be found in Note 32 „Debt on issue of bonds".
Other current financial liabilities at FVTPL contains the fair value of IFRS 2 Share-based payments in amount HUF 1,552 million.

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Debt on issue of bonds | 1,225 | 1,225 |
| Other non-current financial liabilities at FVTPL | 1,562 | 1,711 |
| **Total** | **2,787** | **2,936** |

# 40. Other current liabilities and accruals

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Short term accruals | 14,566 | 14,482 |
| Dividend payable | 173 | 165 |
| Wages and payroll taxes payable | 3,792 | 1,323 |
| Deferred income | 1,057 | 1,548 |
| Other taxes | 282 | 28,027 |
| Deposits from customers | 436 | 399 |
| Other liabilities | 7,300 | 3,301 |
| Premium of Bond Funding for Growth Scheme | 740 | 730 |
| **Total** | **28,346** | **49,975** |

Hungarian Government decided on 23 December 2022 an extraordinary tax to be levied on the pharmaceutical industry, as a result of which HUF 27,860 million extraordinary tax was accounted as an other tax liabilities in 2022. This amount is HUF 399 million higher in 2023. The items were settled financially in 2023 regarding the obligation for 2023 and the advance payment for 2023.

# 41. Net cash position

Net cash position was previously presented of cash and cash equivalents (*CCE*) and cash-pool overdraft. Due to the debt on issue of bond the net cash position consists of all relevant financial asset and financial liabilities related to this transaction. The company defines the net cash position as follows:

***Net cash position** = Cash and cash equivalents +/- cash-pool overdraft +/- non current financial assets/liabilities (which are related to the issued bond)-borrowings-leasing liabilities*

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Cash and cash equivalents | 52,857 | 51,385 |
| Non-current financial assets carried at fair value through profit or loss (related to issue of bond) | 59,082 | 45,983 |
| Derivative financial assets (interest rate swap - related to issue of bond) | 11,836 | 25,906 |
| Borrowings | (11,637) | - |
| Cash-pool | (11,125) | 7,304 |
| Debt on issue of bonds | (53,840) | (41,068) |
| Derivative financial liabilities (interest rate swap - related to issue of bond) | (11,354) | (25,486) |
| Leasing liabilities | (3,225) | (1,958) |
| **Net cash position** | **32,594** | **62,066** |



| | Financial assets | | | | Liabilities from financing activities | | |
|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Cash-pool | Non-current financial assets carried at fair value through profit or loss (related to issue of bond) | Derivative financial instruments (interest rate swap - related to issue of bond) | Leasing liabilities | Borrowings, REPO, Debt on issue of bonds | Total |
| | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm | HUFm |
| **Net cash as at 1 January 2023** | **51,385** | **7,304** | **45,983** | **420** | **(1,958)** | **(41,068)** | **62,066** |
| Debt on issue of bonds, Repurchase Agreement (Repo)- borrowings | - | - | - | - | | (47,385) | **(47,385)** |
| Repurchase Agreement (Repo) -payments | - | - | - | - | - | 35,748 | **35,748** |
| New leasing liabilities | - | - | - | - | (2,235) | - | **(2,235)** |
| Leasing liabilities - principal payments | - | - | - | - | 968 | - | **968** |
| Purchase of non-current financial assets carried at fair value through profit or loss (related to issue of bond) | - | - | - | - | - | - | **-** |
| Changes in cash and cash equivalents | 1,472 | - | - | - | - | - | **1,472** |
| Changes in cash-pool | - | (18,429) | - | - | - | - | **(18,429)** |
| Other non-cash movements - fair value through profit or loss | - | - | 13,099 | 62 | - | (12,772) | **389** |
| Accrued interest/premium liabilities | - | - | - | - | - | - | **-** |
| **Net cash as at 31 December 2023** | **52,857** | **(11,125)** | **59,082** | **482** | **(3,225)** | **(65,477)** | **32,594** |

## 42. Dividend on ordinary shares

**Accounting policy**

Dividend distribution to the Company's shareholders is recognised as a liability and debited against equity (retained earnings) in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company.

| | **2023** HUFm | **2022** HUFm |
|---|---|---|
| Dividend on ordinary shares | 72,686 | 41,934 |

A dividend of HUF 390 per share (HUF 72,686 million) was declared in respect of the 2022 results, approved at the Company's Annual General Meeting on 25 April 2023 and paid during the year.

## 43. Agreed capital commitments and expenses related to investments

| | **31 December 2023** HUFm | **31 December 2022** HUFm |
|---|---|---|
| Contractual capital commitments of the Company | 18,612 | 10,711 |

The above commitments were not recorded neither in the Income Statement, nor in the Balance Sheet.

## 44. Guarantees provided by the Company

The company does not have any guarantees provided to third parties.

## 45. Employee information

| | **2023** | **2022** |
|---|---|---|
| Average number of people employed during the year | 6,118 | 6,081 |

## 46. Social security and pension schemes

The Company has provided in relation to the employees in Hungary social contribution tax amounting to 13% which are paid during 2023 to the National Tax and Customs Administration by the Company. The Company has no further obligations beyond the statutory rates in force during the year. In relation to employees employed in abroad, the social insurance contributions have been paid in accordance with the laws of each country.
The Company contributes 6% of the monthly gross wages (maximum 50% of the current minimum wage) for those employees who decided to participate in the voluntary pension fund. In addition, one-off contribution is made in respect of employees who are reaching the age limit of 55, 57, 59, 61, 63, 65 years in the amount of HUF 50,000. The total cost of the contributions made by the Company was HUF 2,357 million in 2023 (HUF 2,044 million in 2022).

The pension contribution paid by the Company and described above are Defined Contribution Plan.

## 47. Contingent liabilities

The company has no contingent liabilities.

## 48. Related party transactions

Details of transactions between the Company and its subsidiaries are disclosed below.

## 48.1 Significant information of Related parties

The Company has not provided any loans to its key management personnel. Loans given to subsidiaries, associates and joint-ventures are both long- and short-term loans.

| | 31 December 2023<br>HUFm | 31 December 2022<br>HUFm |
|---|---|---|
| Loans provided to subsidiaries | 58,489 | 58,117 |
| Loans to joint ventures | 5,637 | 5,692 |
| Loans to associated companies | 158 | 158 |
| Impairment on loans provided to subsidiaries (BS) | (10,879) | (10,273) |
| Impairment on loans provided to joint ventures (BS) | (239) | (79) |
| Impairment on loans provided to associates (BS) | (158) | (158) |
| Impairment on loans provided to subsidiaries (P&L) | (607) | (5,291) |
| Impairment on loans provided to joint ventures (P&L) | (160) | (79) |
| Impairment on loans provided to associates (P&L) | 1 | (1) |
| Convertible promissory note to associates | 1,664 | 1,664 |
| Convertible promissory note to associates (BS) | (1,664) | (1,664) |
| Convertible promissory note to associates (P&L) | - | - |
| Accounts receivables from subsidiaries | 156,594 | 113,811 |
| Accounts receivables from joint-ventures | - | - |
| Accounts receivables from associates | 4,051 | 3,388 |
| Impairment on accounts receivables from subsidiaries (BS) | (611) | (180) |
| Impairment on accounts receivables from subsidiaries (P&L) | | (39) |
| Accounts payables from subsidiaries | 15,178 | 18,433 |
| Accounts payables from joint-ventures | - | - |
| Accounts payables from associates | 34 | 12 |
| Revenue from subsidiaries | 197,838 | 216,542 |
| Revenue from joint ventures | 124 | 96 |
| Revenue from associates | 21,468 | 18,933 |

The revenue from related parties are arising mainly from sale of pharmaceuticals.

The Company has receivables in capital contribution form to finance the following related parties: Finox Biotec, Richter-Helm BioTec GmbH & Co. KG., GYEL Kft., Forhercare Kft. and Gedeon Richter Italia S.R.L. which is presented in Loans receivable.

All related party transactions were made on an arm's length basis.

## 48.2 Remuneration of the Board of Directors and the Supervisory Board

| | Short-term benefits - Allowance | |
|---|---|---|
| | **2023** | **2022** |
| | HUFm | HUFm |
| Board of Directors | 110 | 104 |
| Supervisory Board | 43 | 36 |
| **Total** | **153** | **140** |

## 48.3 Key management compensation

| | **2023** | **2022** |
|---|---|---|
| | HUFm | HUFm |
| Salaries and other employee benefits | 2,146 | 2,113 |
| Share-based payments | 729 | 738 |
| **Total compensation** | **2,875** | **2,851** |
| Social contribution tax | 262 | 275 |
| **Total** | **3,137** | **3,126** |

The Company established the Employee’s Share- Ownership Programme (ESOP). (See details in Note 31.)

The table above contains the compensation received by the chief executive officer, directors and other senior members of Management, considered as key Management, constituting 57 people. There were no redundancy payments to key Management members in 2023 and 2022.

# 49. Assets Held for Sale

Neither in 2023 nor in 2022 did the Company have Assets held for sale.

# 50. Effect of changes in accounting policy

On 1 January 2023 the European Union adopted the amendments to IAS 12 which narrowed the cases to which the initial recognition exemption applies. Since the Company accounted for investment tax credits under this method in the past, it reviewed the relevant accounting policies and opted for changing it.

The IFRSs do not provide for clear guidance regarding the treatment of investment tax credits, therefore IFRS practitioners have an accounting policy choice. Prior to the financial year of 2023, the Company used option of analogy of initial recognition exemption in accordance with IAS 12.24 and did not recognise a deferred tax asset in connection with these tax credits. As a result of the change of accounting policy, the analogy of tax credits described in IAS 12 34-36. are used for the accounting of investment tax credits. Accordingly, deferred tax assets related to investment tax credits are recognised in the amount at which it is probable that taxable profits will be available in future periods.

The voluntary change of accounting policy shall be implemented and presented retrospectively according to the guidelines of IAS 8.19.

The Company has originally presented all of the deferred tax assets, that were recoverable as of 31 December 2021. A change in accounting policy providing for more potential deferred tax would not affect the deferred tax asset recognized in the balance sheet as of that date, due to the lack of expected recoverability. Since the restatement did not affect the opening figures of the comparative information, therefore the Company does not present this balance sheet column.

The change in the accounting policy was implemented retroactively, by correcting the relevant reporting lines.

## Income Statement

| **Income Statement (extract)** | **2022** HUFm Originally presented | **Change** HUFm | **2022** HUFm Restated |
|---|---|---|---|
| **Profit before income tax** | **182,490** | **-** | **182,490** |
| Income tax | (11,176) | 13,495 | 2,319 |
| **Profit for the year** | **171,314** | **13,495** | **184,809** |
| **Consolidated Earnings per share (HUF)** | | | |
| Basic and diluted | 835 | 72 | 907 |

| **Statement of Comprehensive Income (Extract)** | **2022** HUFm Originally presented | **Change** HUFm | **2022** HUFm Restated |
|---|---|---|---|
| **Profit for the year** | **171,314** | **13,495** | **184,809** |
| Other comprehensive income for the year | 880 | - | 880 |
| **Total comprehensive income for the year** | **172,194** | **13,495** | **185,689** |

## Balance sheet

| Balance sheet (Extract) | 2022 HUFm Originally presented | Change HUFm | 2022 HUFm Restated |
|---|---|---|---|
| **ASSETS** | | | |
| Deferred tax asset | 3,041 | 13,495 | 16,536 |
| **Non-current assets** | **740,943** | **13,495** | **754,438** |
| | | | |
| **TOTAL ASSETS** | **1,223,723** | **13,495** | **1,237,218** |
| **EQUITY AND LIABILITIES** | | | |
| Retained earnings | 989,891 | 13,495 | 1,003,386 |
| **Capital and reserves** | **1,025,240** | **13,495** | **1,038,735** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | **1,223,723** | **13,495** | **1,237,218** |



## 51. Notable events in 2023

In 2023, Richter's management reviewed its strategic focus areas, which were defined as Women's Healthcare (WHC), Neuropsychiatry (CNS), Biotechnology (BIO) and General Medicines (GM), as well as Pharma other (including active pharmaceutical ingredients sales).

The Company's main objectives for 2023 were as follows: to expand sales despite a difficult market environment; to retain and improve market shares; and to strengthen the strategy of standing on multiple legs in the market; based on the strategic principles, to shift business to enhance the contribution of high value added products; to strengthen our position in our traditional markets in the General Medicines business unit to develop a new original CNS product; and to take further steps in the development of biosimilar products.

The biggest impact on Richter's operating environment in 2023 was Russia-Ukraine war.

In 2023 major changes took place in the following areas:

- From 1 January 2023, Nemesné dr. Krisztina Zsámboki took over the leadership of the Quality Management Directorate, from dr. Imre Péter.
- On 7 February 2023 Richter announced that it has acquired from shareholders of Consilient Health 100% control of OC Distributors Ltd, an Ireland based company holding the marketing and distribution rights of a number of women's healthcare products. The transaction value is GBP 32.5 million.
- On 15 February 2023 Richter and Mithra Pharmaceuticals signed a licence agreement for the commercialisation of Donesta, a novel product candidate for the treatment of post-menopausal symptoms. The completion of the agreement follows the signing of the Binding Term Sheet by the parties on 20 December 2022.
- On 27 February 2023, Ilona Dávid and dr. László Szabó announced that with the effect of that day they resign from their memberships in the Gedeon Richter Plc.'s Board of Directors.
- Péter Müller employee representative with respect to the termination of his employment relationship resigned from his membership in Gedeon Richter Plc.'s Supervisory Board, with the effect of March 8, 2023.
- On 15 May 2023, Richter gave information that the transaction announced on 21 October 2022 in respect of divesture of Richter Group's Romanian wholesale and retail operations was

approved by the Romanian competition authority on 9 May 2023. The deal was completed on 15 May 2023 by the transfer of shares of Pharmafarm S.A. and Gedeon Richter Farmacia S.A. companies.

- On 23 May 2023, Richter and its Brasilian affiliate Gedeon Richter do Brasil Importadora Exportadora e Distribuidora SA signed an agreement with Grünenthal do Brasil Farmaceutica Ltda on the commercialisation of the latter's Women's Healthcare portfolio. The portfolio includes oral contraceptives Belara and Belarina and food supplements used in pregnancy and lactation.

- On 20 July 2023, Richter and IQ Medical Ventures B.V. announced that they signed a Share Purchase Agreement to transfer 100% of the Giskit MD B.V. shares to Richter from Giskit Holding B.V., the affiliate of IQ Medical. Giskit MD B.V. is the owner of ExEm Foam and Gis-Kit assets and patent rights globally, excluding the US, China and South Korea (where they are pharma products). Both Women's Health Care products are used in more patient-friendly ultrasound examinations, ExEm Foam for the examination of the fallopian tubes and Gis-Kit for the examination of the uterine cavity. Giskit MD B.V. was valued at about EUR 30 million by the parties, payable upon signing of the agreement.

- On 8 August 2023, Richter and Mithra announced that they have signed a binding supply agreement for the active pharmaceutical ingredient for the combined oral contraceptive Estelle and Donesta, a novel product candidate for the treatment of post-menopausal symptoms. The agreement specifies that Richter will manufacture and supply the Estetrol (E4) native estrogen for Mithra's Estelle and Donesta.

- Richter informed its shareholders that the Company's Investor Relations Officer is Antal Burján as of 4 September 2023 and Róbert Réthy as of 6 November 2023.

- On 2 November 2023, Richter together with Sumitomo Pharma America, Inc. and Sumitomo Pharma Switzerland, GmbH announced that the European Commission has granted approval of a Type II Variation application for Ryeqo (relugolix 40 mg, estradiol 1.0 mg, and norethisterone acetate 0.5 mg) for the symptomatic treatment of endometriosis in women with a history of previous medical or surgical treatment for their endometriosis. This decision followed a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency on 15 September 2023 and is applicable for all Member States in the European Union.

- On 4 December 2023, Richter announced that it expanded its partnership with Mithra Pharmaceuticals SA with a binding Head of Terms agreement for the development and commercialization of the first estetrol-based combined oral contraceptive (15 mg estetrol (E4) / 3 mg drospirenone) and the mono estetrol (E4) investigational product for the treatment of the symptoms of menopause in China. Upon the finalization of the license agreements, Richter will have the exclusive commercialization rights for both products in China. Richter will perform and fund the clinical studies required to obtain marketing approvals in China.

# 52. Events after the date of the balance sheet

- Effective 1st of January 2024, Attila Szénási will be promoted to Chief Operations Officer. In this role he will lead the Production and Logistic organisations worldwide.
- On 26 January 2024, Richter announced that, effective 26th January 2024, amendments have been made to Government Decree 197/2022. 4/A § pertaining to supplementary pharmaceutical tax, now requiring the payment of an extraordinary and supplementary tax for the 2024 tax year by the pharmaceutical manufacturer. According to the regulation, the Company is expected to pay approximately 8 billion Hungarian forints in extraordinary tax in 2024, which, due to the modified tax base, is now accounted for in the global minimum tax, thereby not imposing any additional burden beyond the obligations related to the global minimum tax. The tax is expected to be accounted for as an income tax.
- On 29 January 2024, Richter and Formycon AG announced that Richter becomes strategic investor in Formycon via cash capital increase from authorized capital in the amount of 9.08% of Formycon's share capital. Gross-proceeds in the amount of EUR 82.84m to maintain Formycon's high development pace and operational progress.
- The Board of Directors announced that Mr Erik Bogsch with effect from 1 March 2024 resigned from his position as Chairman of the Board of Gedeon Richter Plc., while remaining a member of the Board. The Board of Directors accepted the resignation at its regular meeting held on 26 February 2024. In acknowledgement of his commitment and paramount contribution to the company, the Board of Directors has decided to grant Mr Erik Bogsch the title of "Lifetime Honorary Chairman of Gedeon Richter Plc.". The Board of Directors on its meeting held on 26 February 2024 elected Prof Dr E. Szilveszter Vizi as Chairman of the Board of Directors and also elected Dr Ilona Hardy Dr Pintérné as deputy Chairman of the Board of Directors with effect from 1 March 2024 for a period until the date of the AGM in 2027.
- On 6 March 2024 Gedeon Richter Plc. announced that it has signed an agreement with HELM AG, a Germany-based stock corporation ("HELM") to buy 50% stake in Richter-Helm BioTec GmbH & Co. KG ("RHT"); and 30% stake in Richter-Helm BioLogics GmbH & Co. KG. ("RHB") to become 100% owner of both companies.
  Under the terms of the agreement Richter will pay EUR 112.4 million altogether. The purchase prices are due on the closure of the transaction pending the merger clearance by both the German and Hungarian competition authorities and other conditions set out in the agreement. On top of the purchase price of RHT, Richter will pay a further earnout scheme in respect of 2025-2029, subject to the performance of RHT.

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

# 53. Approval of financial statements

Current Financial Statements have been approved by the Board of Directors and authorized for release at 8 March 2024.

These Financial Statements of the Company were approved for issue by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance. The probability of any potential change required by the AGM is extremely remote.

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