

Gedeon Richter Earnings Report H1

Chief Executive Officer presentation

Augustus 4th, 2023



Financial Highlights



67.9 HUFbn

Net Profit¹

↓ -40.2%

365 HUF

EPS

↓ -40.2%

-9.7 HUFbn

Free Cash-flow

↓ n.a.

95.0 HUFbn

EBIT²

↑ +6.2%

111.2 HUFbn

Clean EBIT³

↑ +23.1%

10.6%

Return on Equity⁴

↓ -9.1%p

413.4 HUFbn

Consolidated sales

↑ +14.5%

62.0%

Gross margin

↑ +4.9%p

362.1 HUFbn

Pharma sales

↑ +23.7%

¹Profit for the period attributable to owners of the parent

² EBIT: Earnings Before Interest and Taxes, equivalent of Profit from Operations

³Clean EBIT (cEBIT): Gross profit less Operating Expenses (S&M, G&A, R&D) less Clawback expenses plus milestone income. cEBIT represents the profitability as a result of core business activity, excluding any one-off items

⁴Return on Equity formula: Cumulated profit for the period of last 4 quarters divided by the actual quarter's equity



- **Solid demand** across markets and business units as well as higher than expected **Vraylar royalty** revenues boosted our topline.
- **CNS business unit** may outperform compared to **earlier guidance**, while the rest of the pharma business is **well on track** to fulfil objectives.
- The May sale of the wholesale and retail arm in **Romania** dented topline in Q2 but left operating profits unaffected.
- The proceeds of this sale, along with hedge operations, partly offset a big part of the **revaluation losses** coming from continued negative foreign currency trends.
- Recent **additions to our WHC portfolio** add up to a significant future revenue and earnings potential and will contribute to securing a leading position in European Women's Healthcare.

Strong financial performance in core operations undermined by unrealized FX losses

Guidance

- With Vraylar impact, overall performance is expected to be above initial guidance.

EBIT

- Year-on-year EBIT increased slightly, compensating for prior year's CNS milestone income and current year's Windfall tax.
- Clean EBIT excluding FX effects grew by ~18% as result of strong underlying business performance across markets.

Special items

- Romanian wholesale and retail operation was successfully sold. Revenues and gross profits contain 5 month of its financial results, while clean EBIT effect remains marginal. Gains are recorded as financial income.
- Improving G&A costs by 7.3 HUFbn as a result of the revision of management's estimate for the ratio on overhead expenses resulted in a reallocation from S&M to G&A as well as increasing costs of efficiency improvement projects.
- In H1, 2023 foreign currency headwind was 49 bnHUF resulting overall net financial loss of 24 bnHUF.

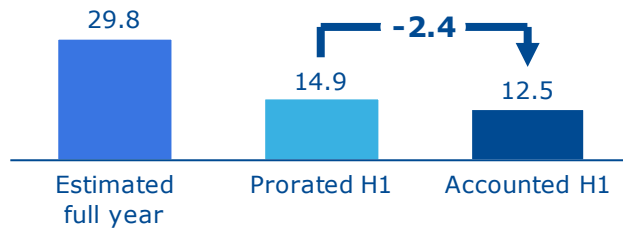
Business drivers

- Gross profit increase of 22.4% after FX adjustments were driven by extraordinary Vraylar performance, increasing volumes and changes in portfolio mix as well as some timing effects among quarters.
- Sales & Marketing costs combined with G&A in line with gross profits, however cost of efficiency improvement projects increased company overheads.
- R&D expense growth rate is still slower as most of the external costs are expected at the second half of the year.
- Prior year contained milestone income 8 bnHUF.

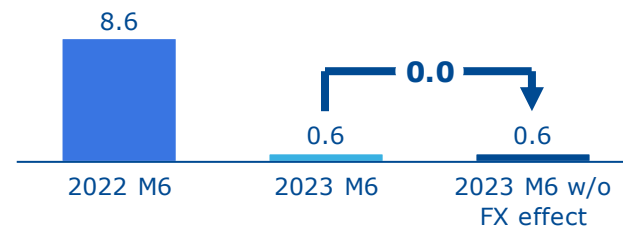


Special items affecting H1 financials

Windfall tax

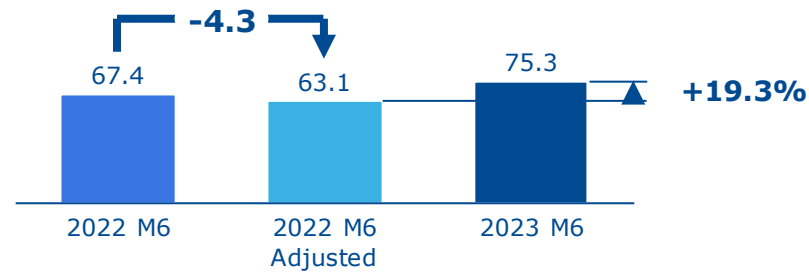


Milestone income

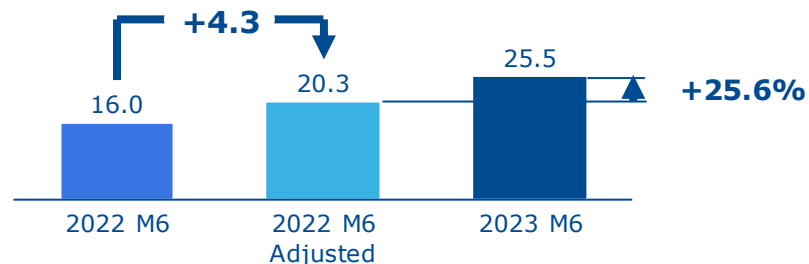


Reallocation of G&A overheads

Sales & Marketing



General & Administrative



Windfall tax

- Relevant accounting standards specifically prohibit to record the prorated amount of the estimated annual windfall tax (IFRIC 21).
- Actual income of the period indicates a lower effective tax rate, which was defined as progressive (1% to 8%).

Milestone income

- In Q2 2022 milestone income of **8.6 HUFbn** was received in exchange for collaboration of original research covering the field of neuropsychiatric diseases.

Reallocation of G&A overheads

- A result of the revision of management's estimate for the ratio on overhead expenses resulted in a reallocation from S&M to G&A.
- In addition, cost of efficiency projects and wholesale and retail divestment, increased cost by additional **3 HUFbn**. This amount is allocated to all BU's cEBIT.

Worsening FX environment at the end of the period resulted in loss of 49 HUFbn partly off-set by gains from divestment

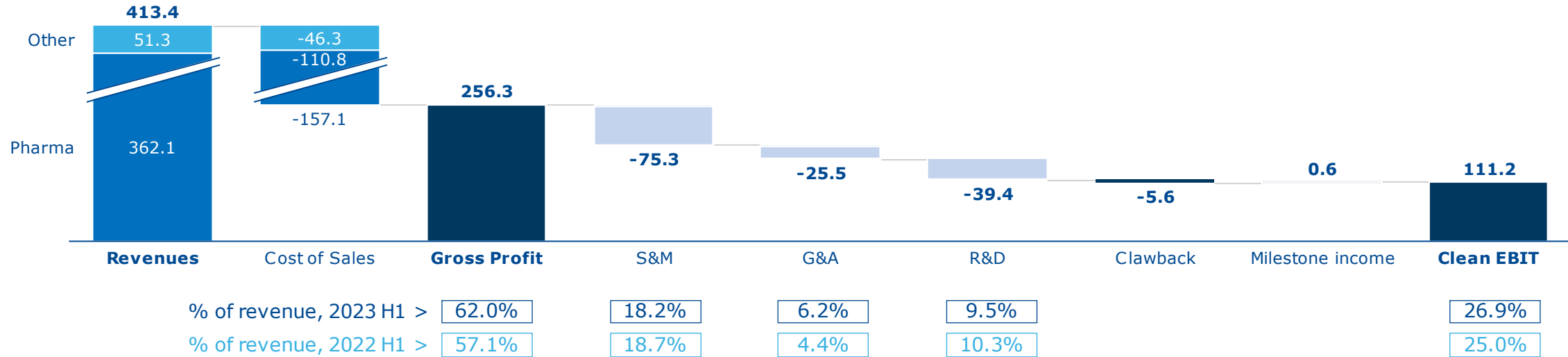
Consolidated

	2022 Q1	2022 H1	2023 Q1	2023 H1
Unrealised exchange (loss)/gain	3.1	33.5	-16.6	-26.5
Realised exchange (loss)/gain	-4.2	9.3	-8.5	-22.0
Result of realised & unrealised forward exchange contracts	3.0	-8.0	3.6	6.3
Interest income / (Interest expense)	0.7	1.7	2.7	4.4
Gain on disposal of subsidiaries				12.0
Other items	-1.2	-6.4	1.7	0.9
Net financial income (loss)	1.3	30.0	-17.1	-24.9

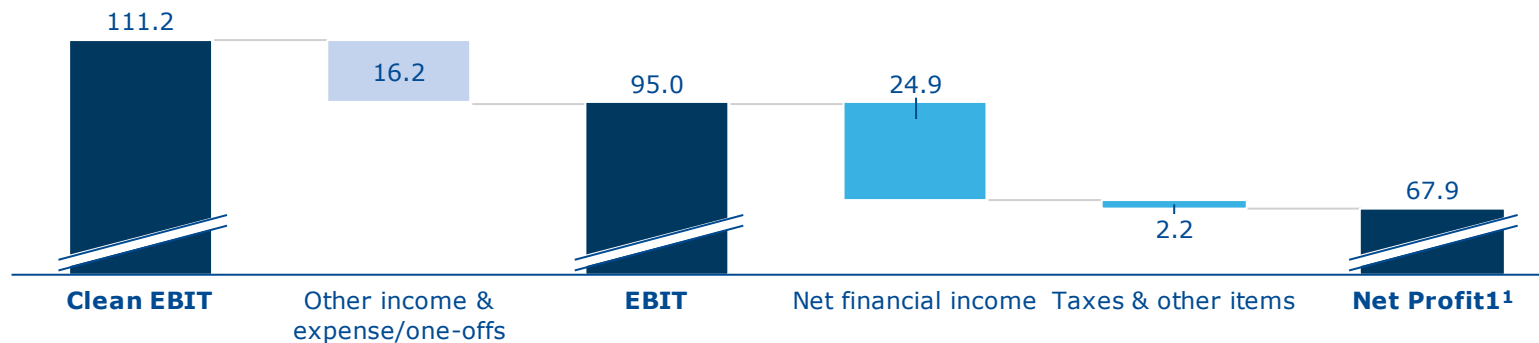
Realised and unrealised losses

- Hedging transactions applied by management can mitigate some of the risks resulting from the high volatility of the functional currency.
- Weakening RUB in the past month of the period resulted in extremely high amount of realised and unrealised foreign exchange losses.
- Revaluation of open balances owned by our Russian subsidiary accounted for most of the unrealized losses.
- Gain recorded on the disposal of Romanian entity could partially compensate losses.

Record high first half clean EBIT show slowdown compared to Q1 due to external factors and milestone related income in prior year



Consolidated



Technical effects

G&A overheads:

As a result of the revision of management's estimate for the ratio on overhead expenses resulted in a reallocation from S&M to G&A as well as increasing costs of efficiency improvement projects.

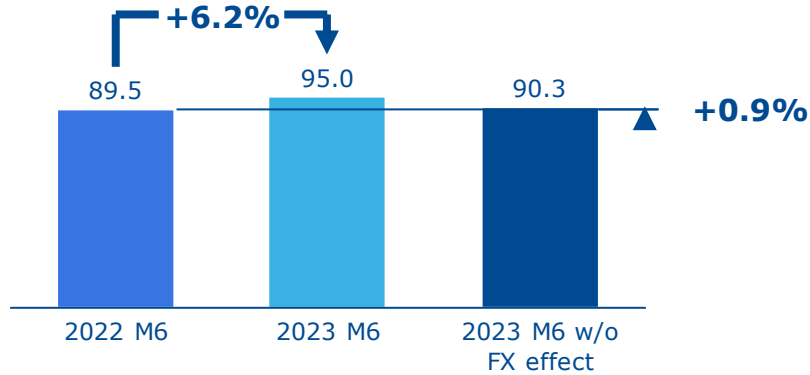
Recognition of windfall tax:

Applying IFRIC 21, liability can only be recognized on the actual income recorded, resulting in significantly lower level (12.5 HUFbn) than liner allocation of the annual expected tax.

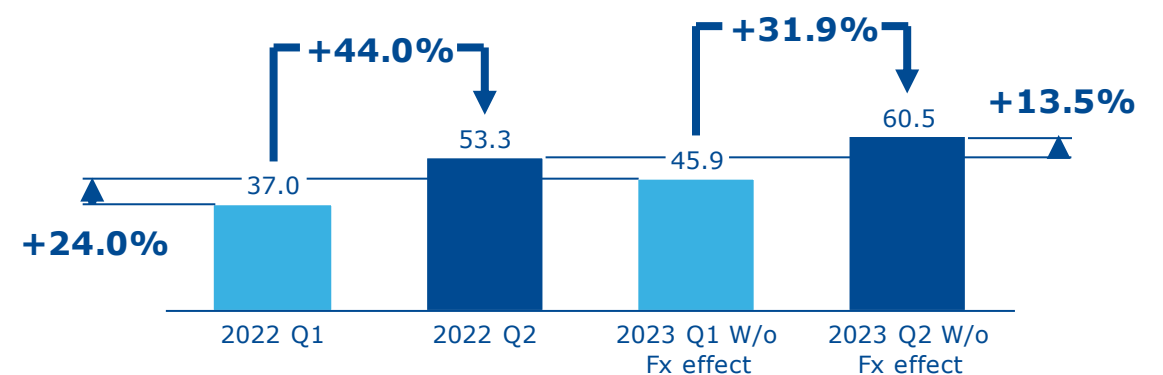
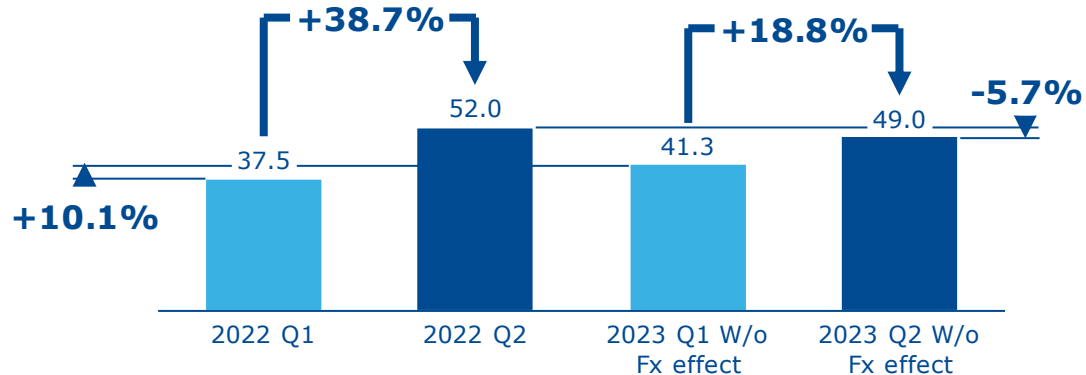
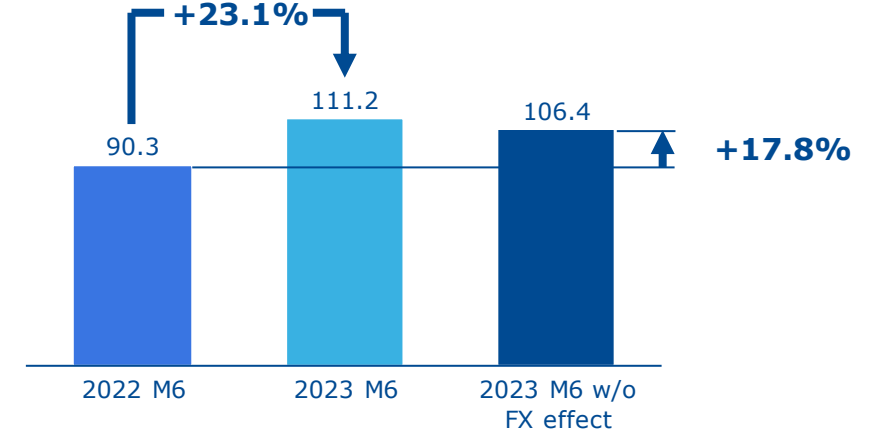
Clean EBIT increase of 18% (without FX) compared to 22M6 shows a slowdown compared to Q1 as a result of special items



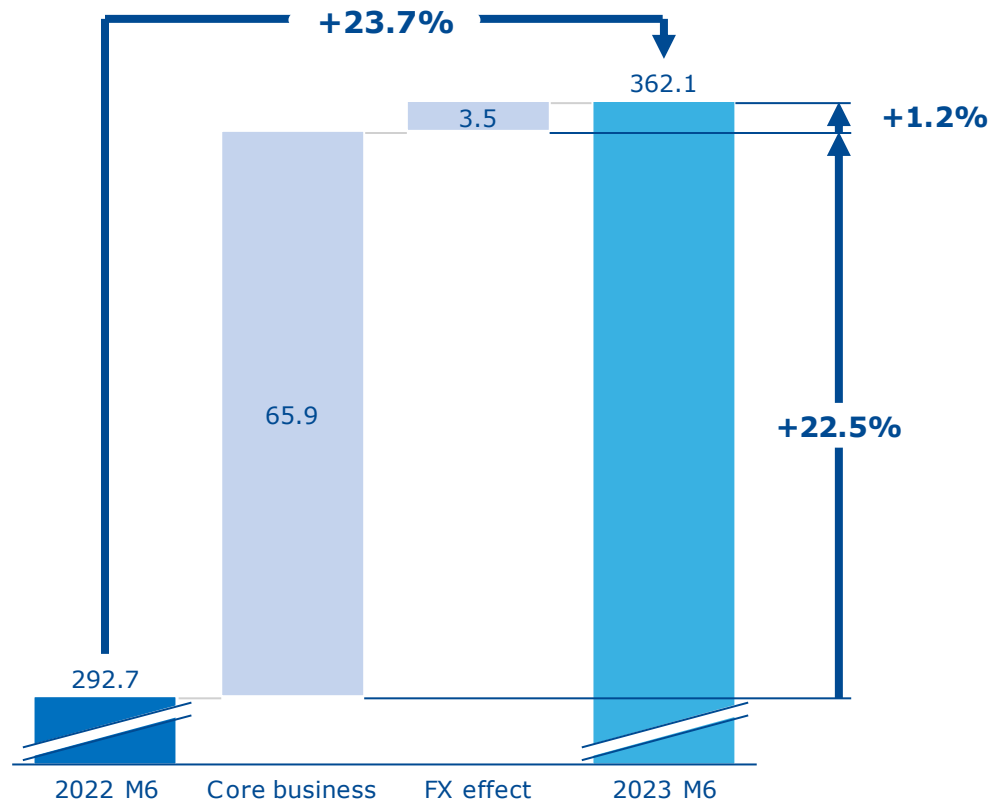
EBIT (year-on-year)



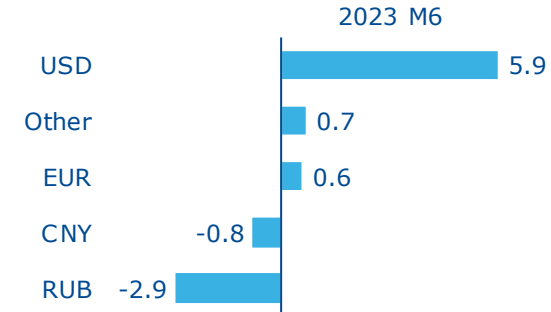
Clean EBIT (year-on-year)



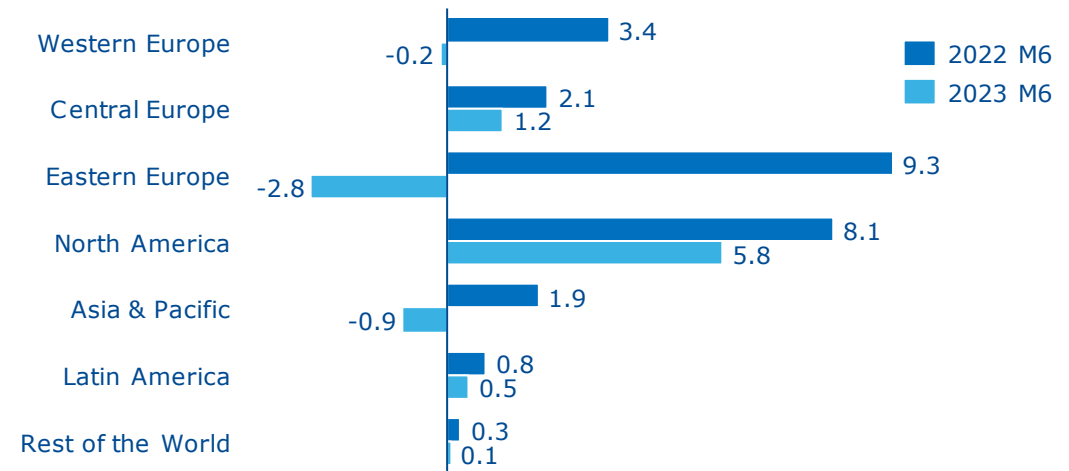
Pharma revenues grew above 20%, foreign exchange effects almost even out by the end of the period



FX impact by currencies

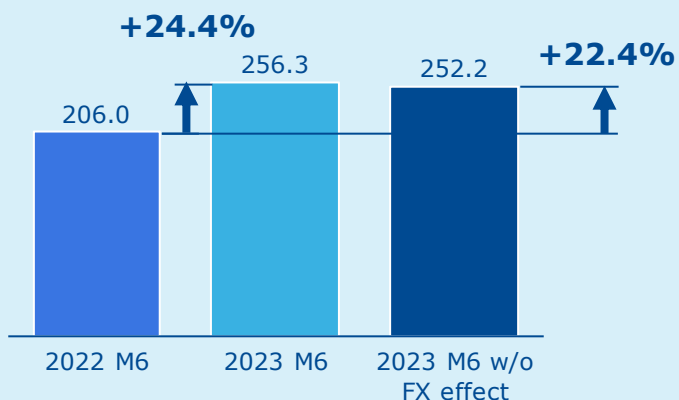


FX impact by region

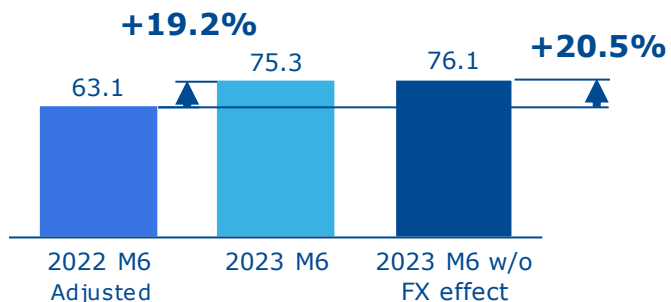


Combined S&M and G&A change is on par with Gross Profit increase, R&D expected to grow steadily in the second half

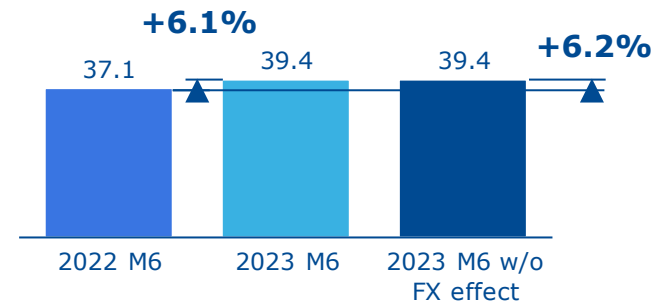
Gross profit



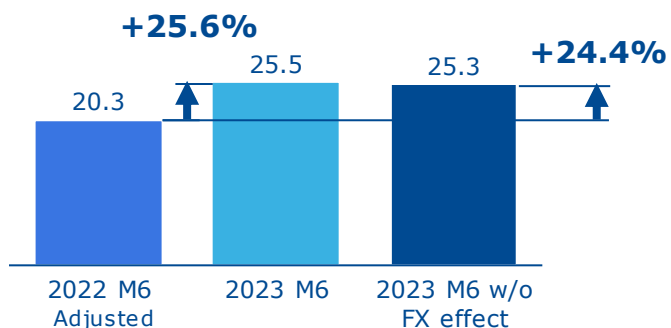
Sales & Marketing



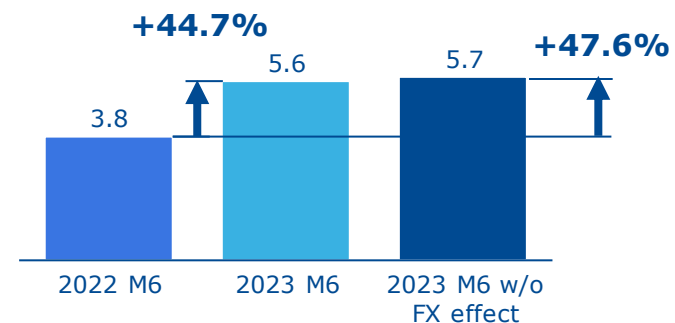
Research & Development



General & Administrative

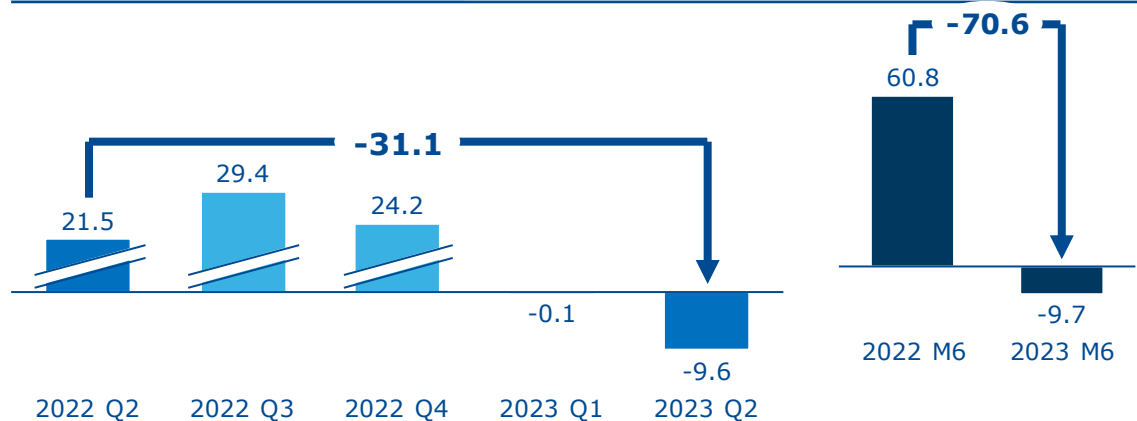


Clawback

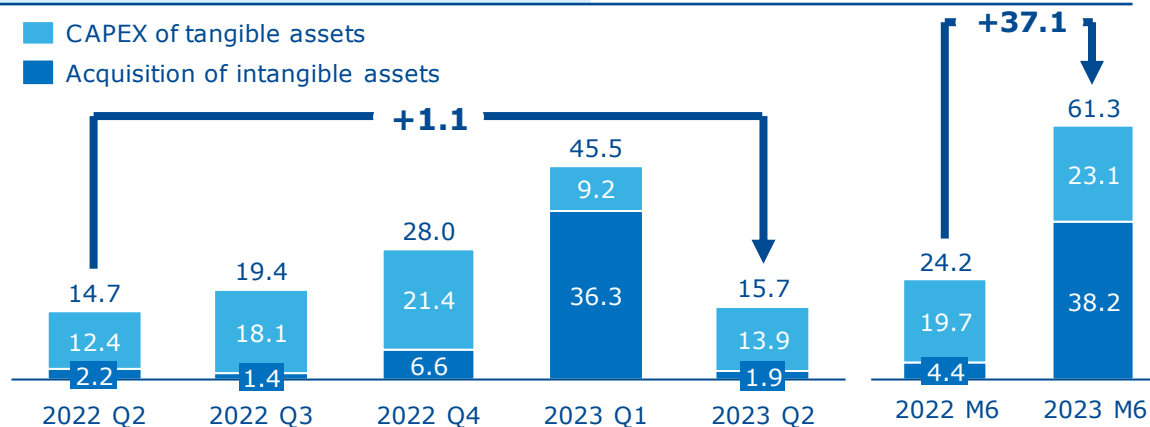


Windfall tax payment and additional investments decreased FCF position; stockpiling effect slows down

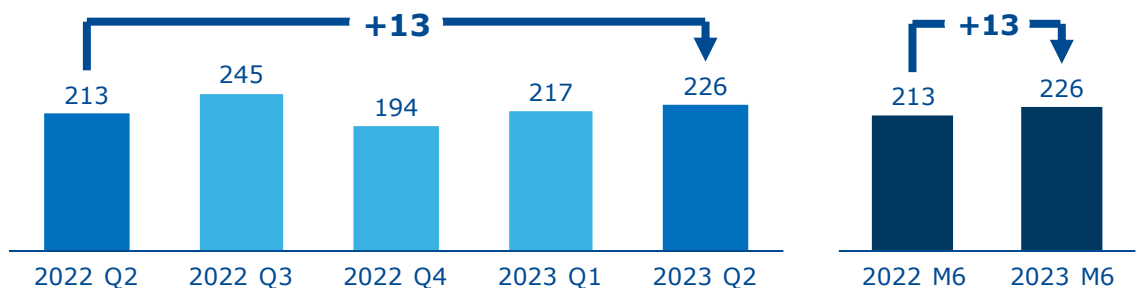
Free Cash-flow | HUFbn



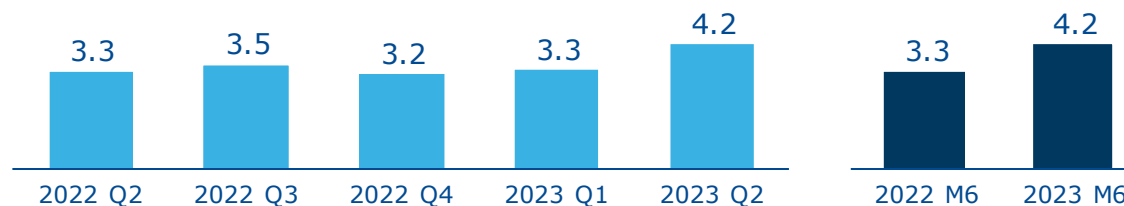
Tangible & Intangible | HUFbn







Cash Conversion cycle | days



Current Ratio

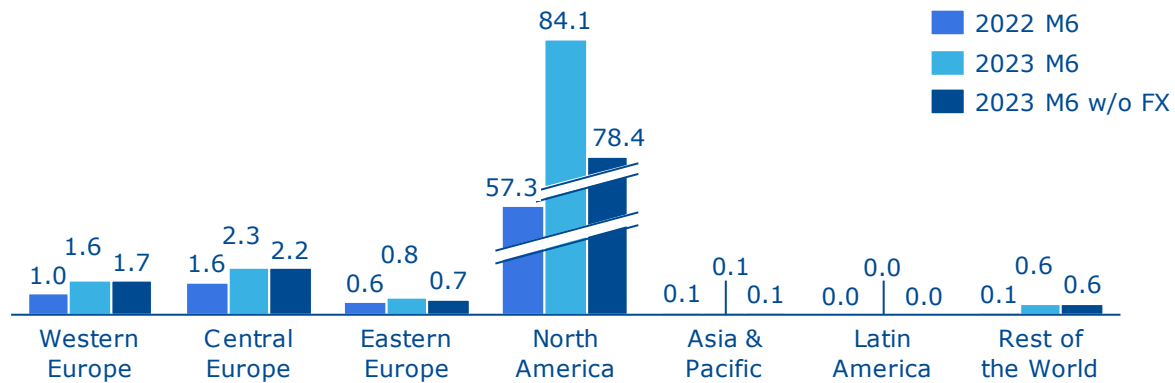


Women's Healthcare and General Medicine profit contribution close to 50 HUFbn

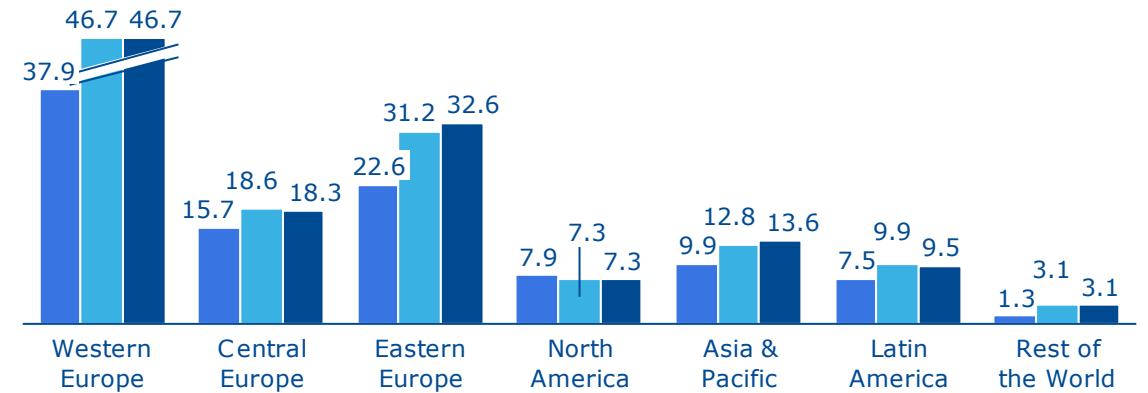
2023 M6	 WHC	 CNS	 BIO	 GM	Pharma other	Pharma	Other	Eliminations	Group total
Revenues	129.7	89.4	21.3	114.6	7.1	362.1	59.1	-7.8	413.4
Cost of Sales	-40.3	-0.5	-12.9	-51.3	-5.8	-110.8	-54.0	7.6	-157.1
Gross Profit	89.4	88.9	8.4	63.3	1.3	251.3	5.1	-0.1	256.3
Sales & Marketing	-42.2	-1.6	-2.9	-24.3	-0.7	-71.7	-3.6	0.0	-75.3
General & Administrative	-10.3	-0.4	-2.0	-9.9	-0.6	-23.2	-2.3	0.0	-25.5
Research & Development	-9.0	-12.3	-13.7	-4.3	0.0	-39.4	0.0	0.0	-39.4
Clawback	-2.9	-0.3	-0.3	-2.1	0.0	-5.6	0.0	0.0	-5.6
Milestone income	0.0	0.1	0.5	0.0	0.0	0.6	0.0	0.0	0.6
Clean EBIT	25.0	74.5	-10.1	22.7	0.1	112.2	-0.9	-0.1	111.2

No changes in our global coverage, FX changes had the greatest effect on North-America and Eastern European markets

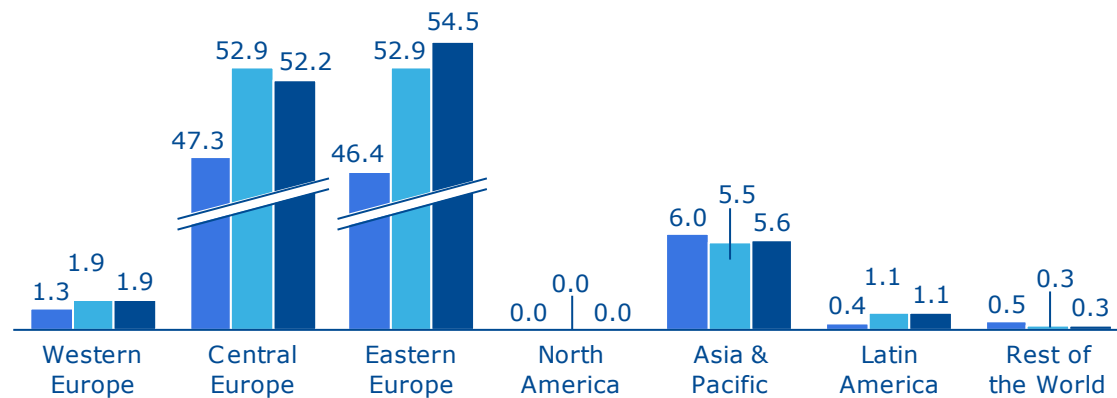
Neuropsychiatry | Revenue



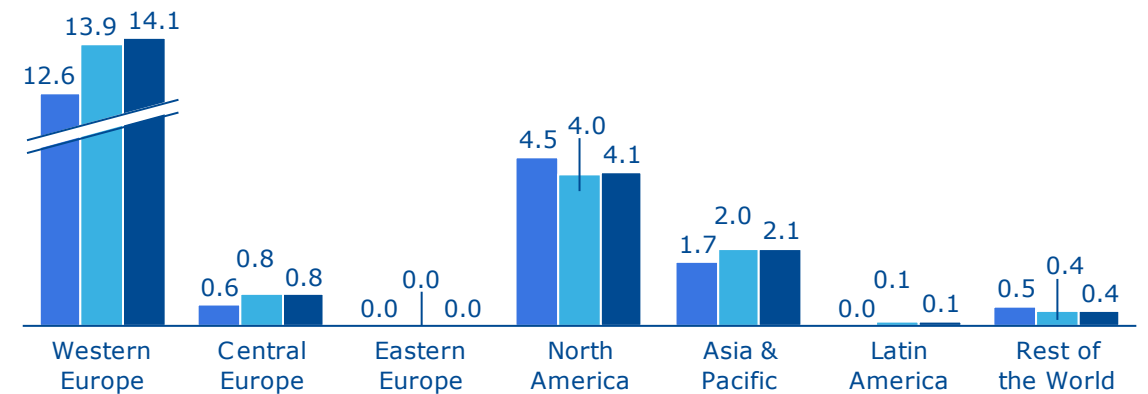
Women's Healthcare | Revenue



General Medicines | Revenue



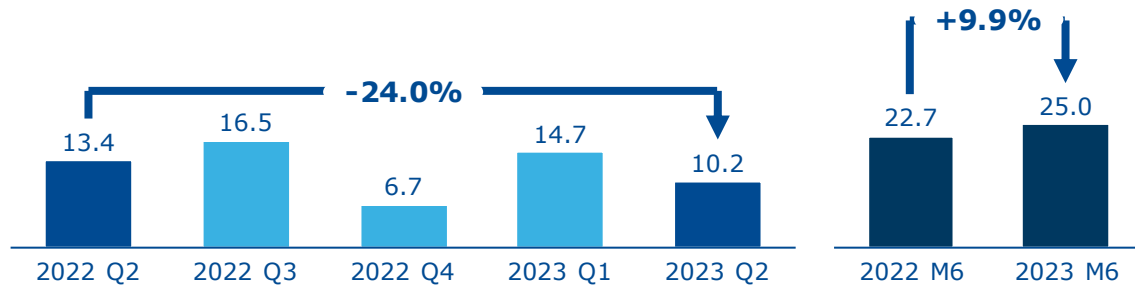
Biotechnology | Revenue



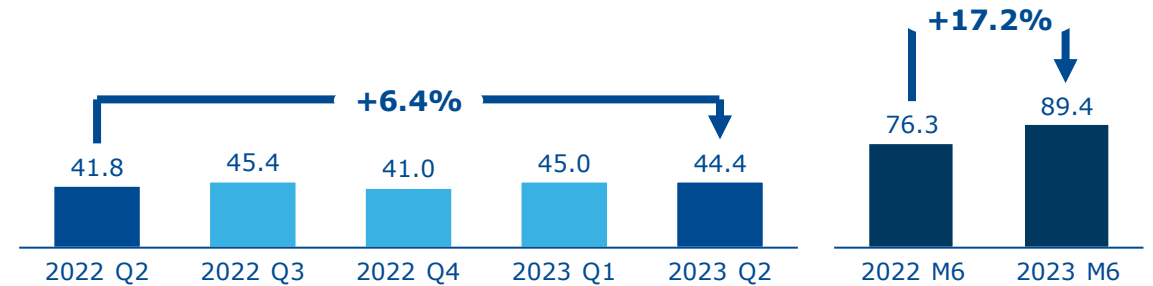
Women's Healthcare | Healthy increase in profits with continuous uptake on new product launches



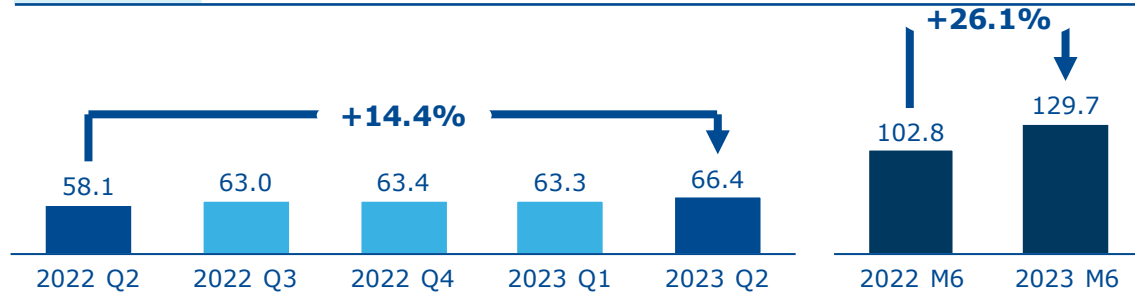
Clean EBIT



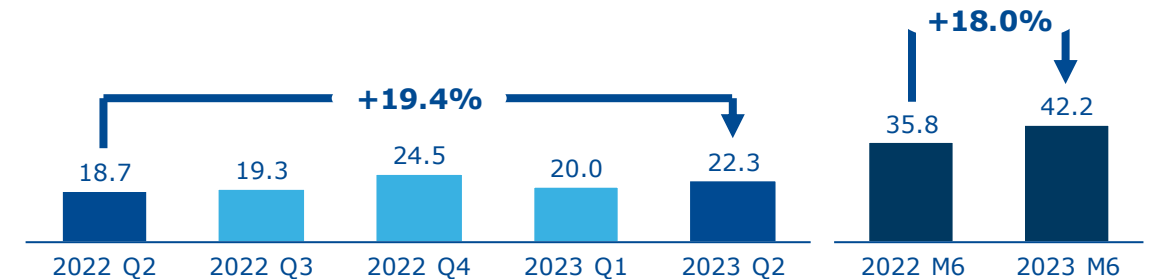
Gross profit



Revenue



Sales & Marketing



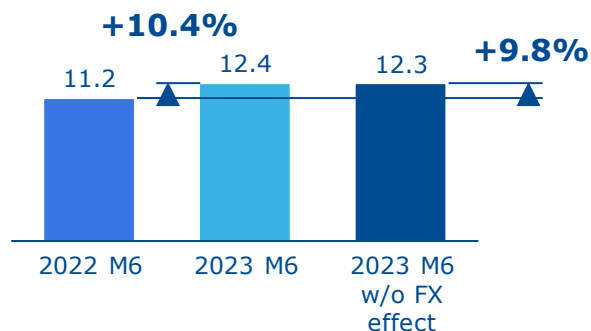
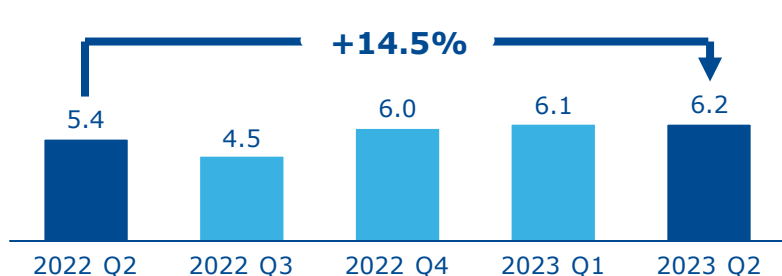
Key messages

- Continuous strong-double digit growth in revenue of total WHC portfolio across most important markets WEU, Central and Eastern Europe and Latam.
- Drovelis® the company's key contraceptive has reached over 3 million cycles sold by end of H1 keeping the growth trend set last year.
- Ryeqo® received reimbursement in two major European markets (Italy and Spain) opening an access to 65 million women.
- Strengthening WHC consumer line by extending the Procure licence agreements for European market.
- Endometriosis treatment area and Menopause management remains solid sales drivers in second quarter with accelerated sales.
- Accelerated S&M investments are necessary to build a solid foundation for future growth. Promotional activities are expected to further increase in H2, in focus our new products.
- The revenue is increasing slower pace by turning of exchange rate effects in Q2, 2023 compared to Q1. In May 2022 there was a one-off significant item (USA, Escapelle) as a result of abolition of abortion law. Costs of the efficiency improvement project and items of Clawback also contributed to the lower level of Clean EBIT in Q2, 2023.

WHC | **Highlighted brands** | EVRA MAH transfers on track, while Bemfola near double digit growth



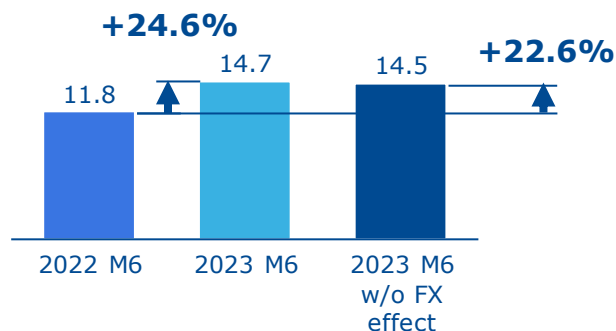
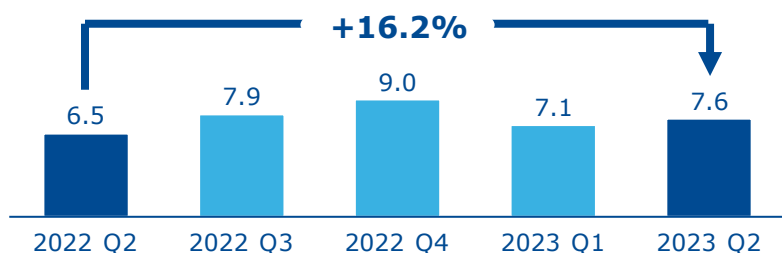
Bemfola®



Key messages

- **Bemfola®** showed strong performance in some of European markets partly utilizing the temporarily stock out of one of the competitor.
- Sales growth of the fertility franchise is reinforced by new product launches and fast market share penetration.

EVRA®

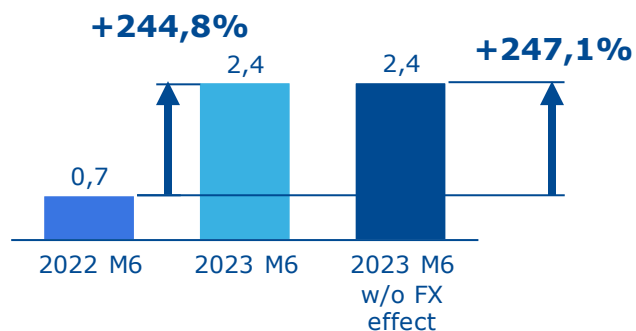
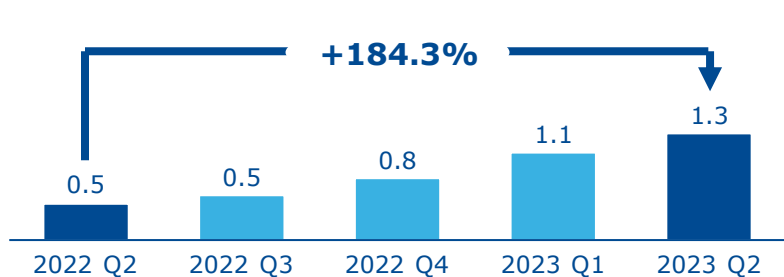


Key messages

- Solid double digit sales growth is driven by successful relaunch campaigns in most of European and LatAm countries.
- MAH transfers proceeding according to plans, which result in higher revenue portion and less net economic benefit income, providing the same cash margins.



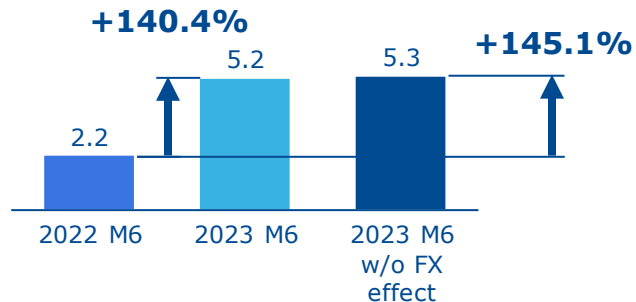
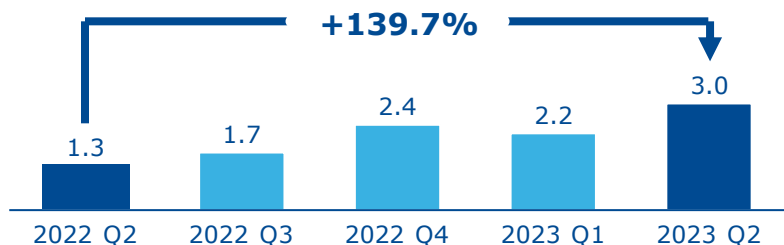
Ryeqo®



Key messages

- Significant growth in Germany, Nordics and CEU markets.
- Reimbursement achieved in Spain, Italy and positive feedback in Portugal
- Intensive regulatory work on Endometriosis label extensions.

Drovelis®



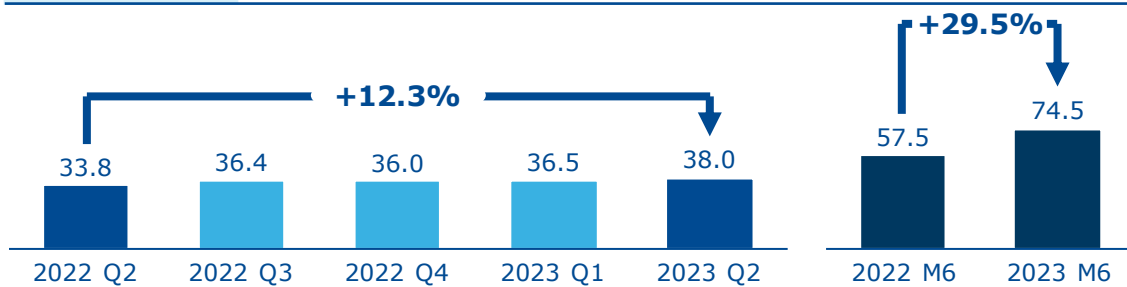
Key messages

- **Drovelis®** continued sales uptake reaching over 2m€ in Germany, Poland and Italy.
- Higher than expected market share penetration in CEU region.
- In H1 2023 product surpassed 3 million cumulated cycles sold in Europe.

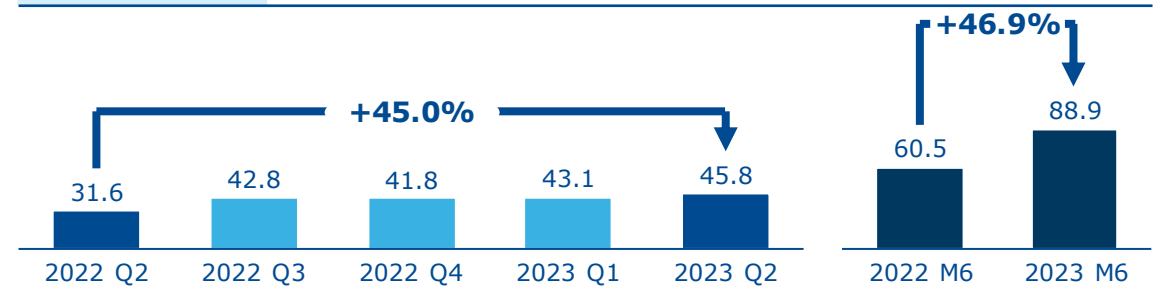
Neuropsychiatry | Our main clean EBIT contributor grew near 30% while progressing with R&D projects



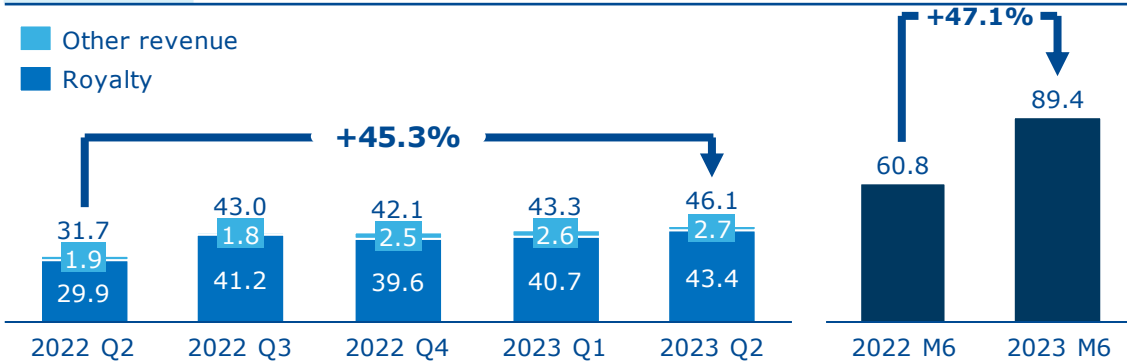
Clean EBIT



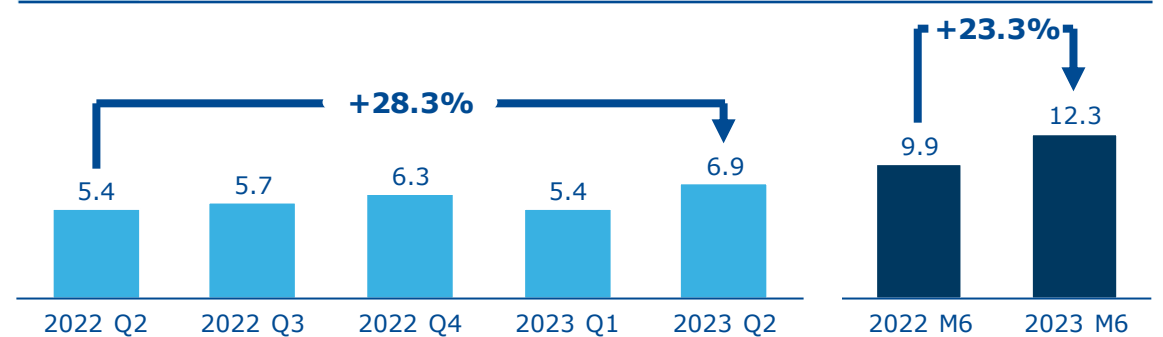
Gross profit



Revenue



R&D



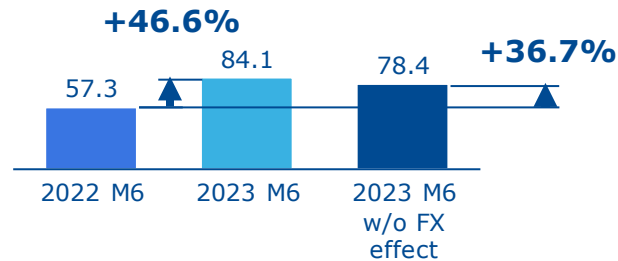
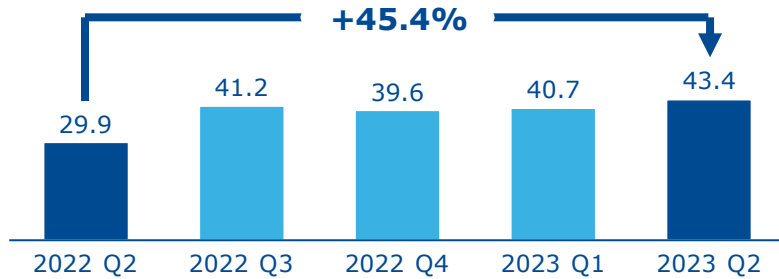
Key messages

- Abbvie's Vraylar sales continued to strongly increased driven by adjunctive MDD prescriptions, led to significant year-on-year increase recorded in royalties.
- Cariprazine sales growth in 37 countries, both where commercialised by Gedeon Richter or partners.
- Cariprazine is already available to people in 57 countries.
- Internal R&D milestones are generally met, RGH-706 Phase II. clinical study is ongoing.

CNS | Highlighted brands | Currency growth in Vraylar; US first quarter prescriptions trends continues



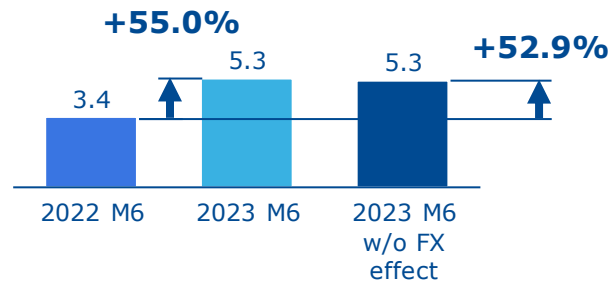
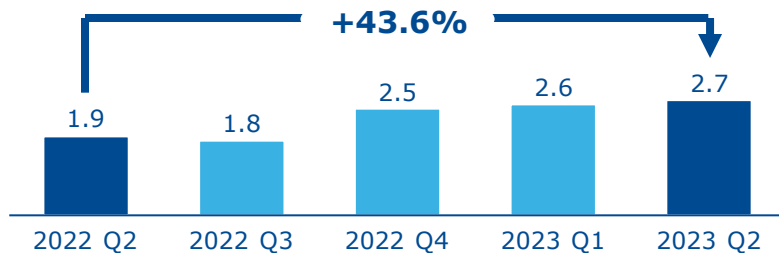
Vraylar®



Key messages

- Significant year-on-year increase recorded in royalties linked to sales of **Vraylar®** in the USA.
- Close to 47% increase of royalty income is highest in recent years. Overall increase is in-line with Richter's expectations.
- 36.7% increase contains the effects of hedging transactions.

Reagila®



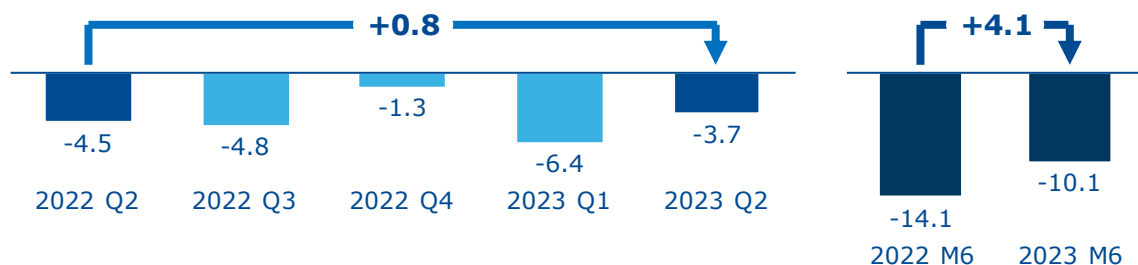
Key messages

- **Reagila®** sales are continued to grow in CEU region.

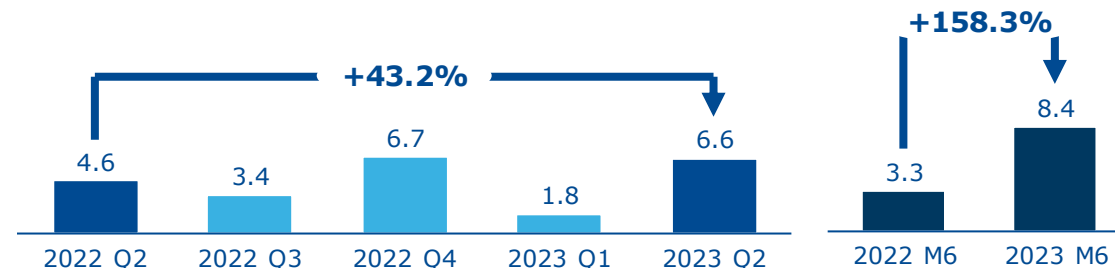
Biotechnology | R&D projects on track, Teriparatide sales maintaining strong, CDMO services following the trends



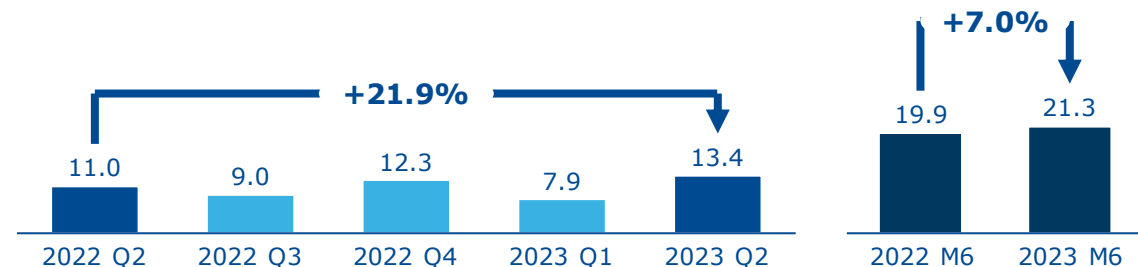
Clean EBIT



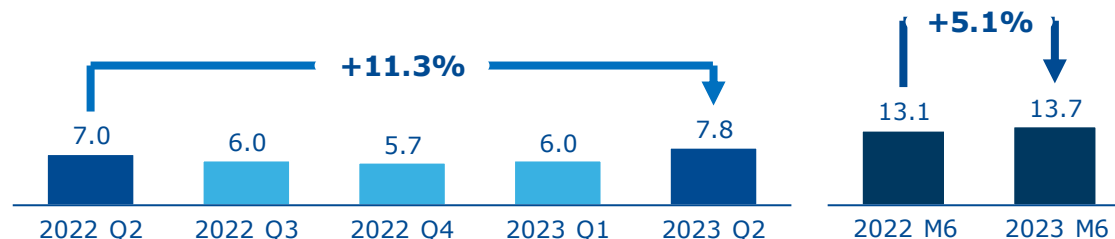
Gross profit



Revenue



R&D



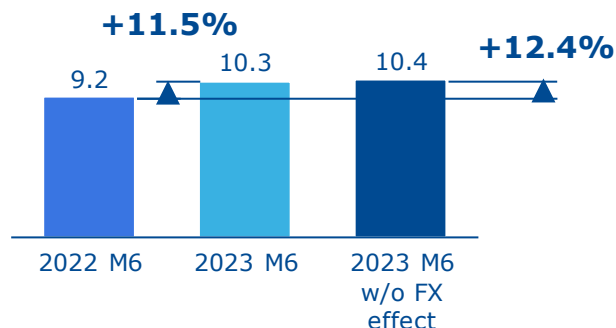
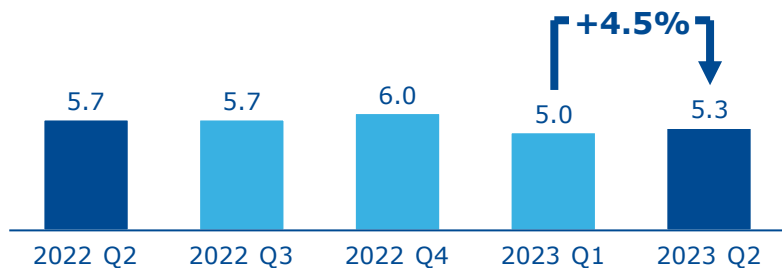
Key messages

- Maintaining strong Terrosa and global teriparatide sales.
- CDMO services sales revenues on plan, despite worsening market orders outlook.
- Business unit profitability expected to meet targets by year end.
- Ongoing R&D activities for biosimilar products under development on track. Global clinical programmes ongoing for two programmes.

BIO | **Highlighted brand** | Teriparatide global revenues show overall increase with some noise between quarters



Terrosa®



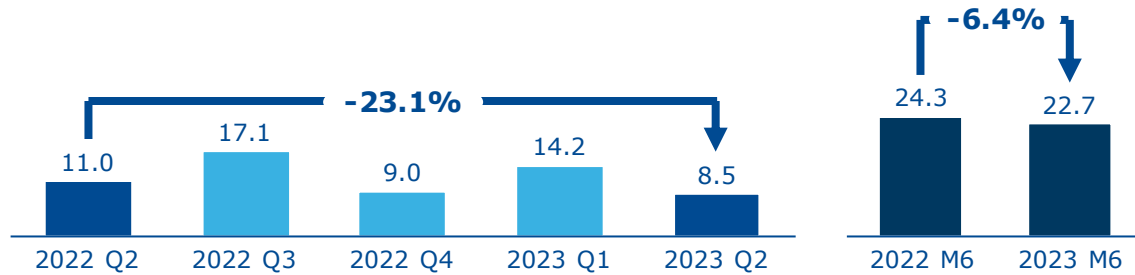
Key messages

- Sales proceeds from WEU region contributed substantially to the higher turnover of **Terrosa®** reported.
- **Terrosa®** became a massive product.
- Chart shows Richter's own sales of the product. In addition drug substance proceeds by partners are recorded as share of profit associates and joint ventures.

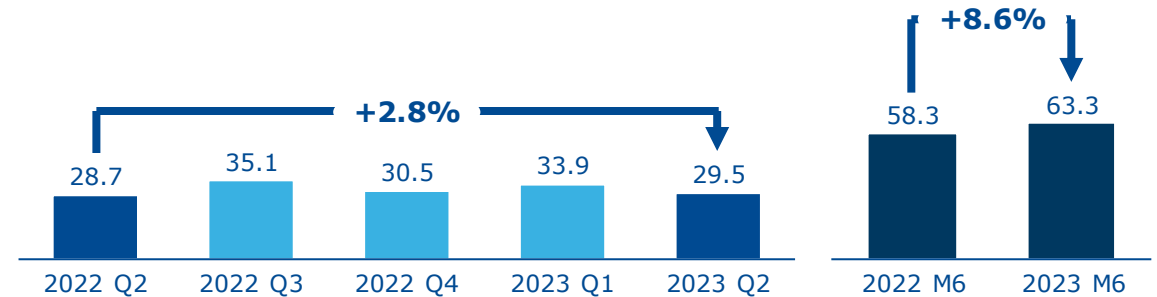
General Medicines | Changing FX trends are slowing gross profit which are further dented by additional efficiency improvement project costs



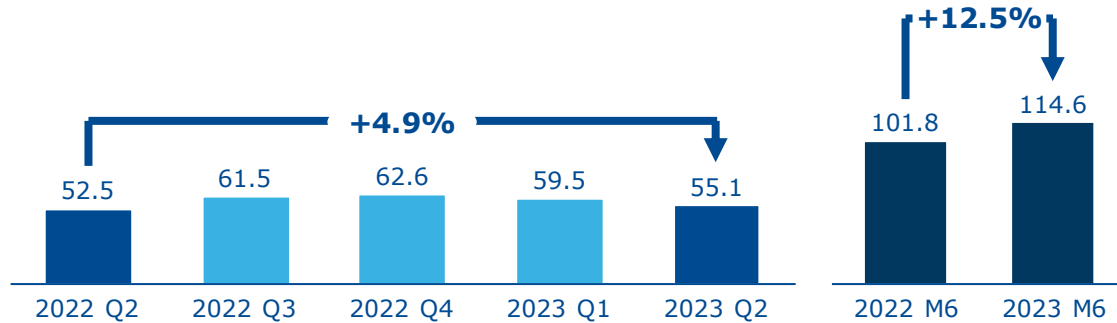
Clean EBIT



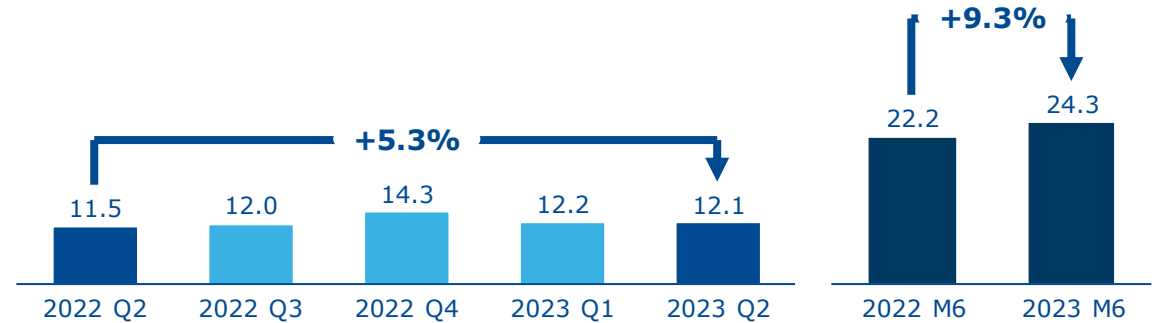
Gross profit



Revenue



Sales & Marketing



Key messages

- New strategic approach for General Medicines was defined and implementation started.
- Brand geographic extensions (Mydocalm 450, Ekvamer).
- Two new EU submissions in the pipeline (Cardiometabolic and CNS products).
- The revenue is increasing slower pace by turning of exchange rate effects in Q2, 2023 compared to Q1.
- Costs of the efficiency improvement projects and the higher R&D costs contributed to the lower level of Clean EBIT in Q2, 2023.

Each focus area has a clear strategic vision and consists of various type of products

Pharma Pharmaceuticals segment				
Strategic focus area's short and long name		Official definition	Key strategic goal	Therapeutic area
	WHC Women's Healthcare	We look after women's health globally 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 we aim to become the leading provider of pharmaceutical products for European women by the end of the decade.	Women's Healthcare
	CNS Neuropsychiatry	Leveraging our world class early phase R&D capability in the central nervous system domain we build a pipeline of small molecule drug candidates mainly in the field of neuropsychiatry.	Maximize the potential of cariprazine, while developing and partnering original R&D projects that provide the basis for revenue and earnings growth beyond 2030.	Neuropsychiatry ¹
	BIO Biotechnology	Leverage our biotechnology platform to develop and manufacture biosimilar drugs for global markets.	By establishing ourselves as a relevant player in the Rheumatology/Osteoporosis TA, we aim to become a solid contributor to corporate profits by the end if this decade. We leverage our biotechnology expertise in providing value to third party clients through our contract development and manufacturing services.	Rheumatology, Osteoporosis
	GM General Medicines	Comprises our established and generic portfolio in various therapeutic areas in the Central and Eastern European regions.	Provide broad access to high quality and affordable medications while remaining a reliable source of revenue growth, scale and margins.	Cardiology, Blood, Diabetes, CNS ²
Other Other segment Non-pharmaceutical activities				

¹Cariprazine and innovative neuropsychiatry pipeline, ²Off-patent original CNS products and generics

Research and Development: We are dedicated to continuously investing into the future to serve our patients globally



WHC

We develop innovative products and invest in late-stage projects of the following subsegments: female fertility, uterine fibroids / endometriosis, female contraception, infectious diseases in female healthcare and menopause. We intensify our activities in the field of Female Technology as well.



CNS

Original R&D aims to develop new small molecule drugs for the treatment of central nervous system diseases in the field of neuropsychiatry. We focus primarily on the symptoms associated with negative and cognitive disorders, we also research for new materials to treat positive symptoms.



BIO

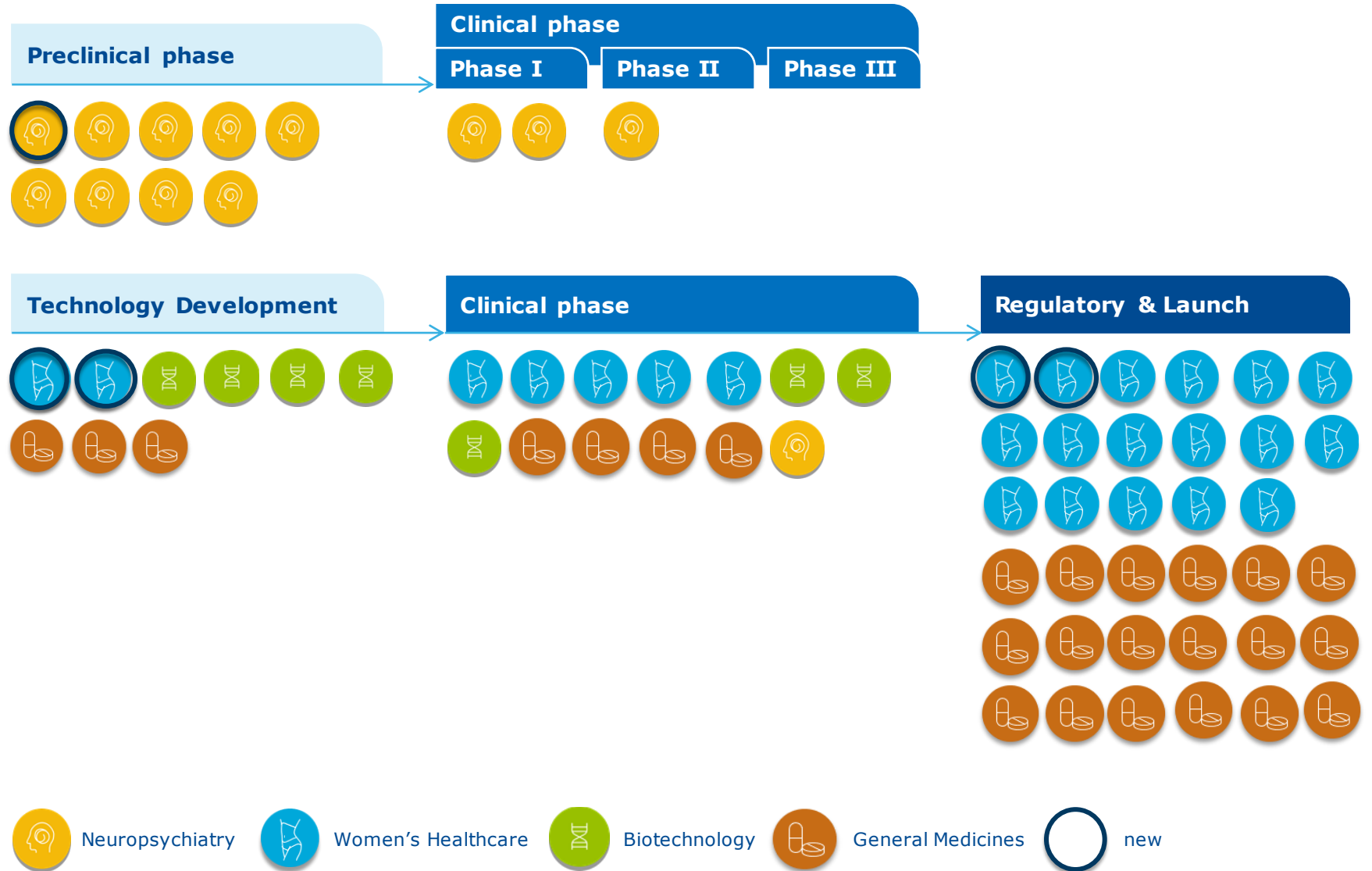
Our focus is set on certain therapeutic areas, notably Rheumatology/Osteoporosis. These areas are considered among the highest growth rate therapeutic segments.



GM

General Medicines builds a portfolio offering for our patients in 3 key therapeutic area (Cardiology and blood, diabetes and CNS), and pursue other therapeutic areas through own development and licence in activities.

Pipeline on track with plans



ESG focused initiatives

ENVIRONMENTAL

- Climate change action plan aligned with the EU's Fit for 55 policy package (55% reduction of GHG emissions by 2030, carbon neutral by 2050).
- Investing in sustainability solutions and supporting the energy transition.
- Certified management systems (EMS, EnMS).
- Monitoring of pharmaceutical residues.
- Responsible waste management.

SOCIAL

- Patient safety in focus with GMP compliant manufacturing units, responsible marketing practices and global pharmacovigilance systems.
- Strong R&D activity and product acquisitions to expand access to quality healthcare.
- Harm-free work environments through the maintenance of certified OHS standards.
- Flexible working arrangements and wide range of benefits to support employee work-life balance.
- Enabling scientific education and health initiatives via various foundations.
- Empowering women with extensive Women's Healthcare portfolio, patient awareness campaigns and CSR programmes.

GOVERNANCE

- Comprehensive compliance programme defining Group-wide business conduct and including anti-corruption, anti-bribery and ethics training.
- Dual board structure to protect stakeholder interests.
- Board oversight of ESG management through ESG Committee.
- ESG targets in CEO remuneration.
- Transparent reporting of transfers of value.



ESG highlights from 2023 H1

ENVIRONMENTAL

Environmental sustainability

Internal communication campaign on sustainability issues to sensitive employees.

Climate change

Reduce carbon footprint: new solar panel system installed at our Hungarian biotechnology plant (covers 4% of the site's annual consumption of electrical energy).

SOCIAL

Employee engagement

- Recognising Richter as a quality employer: Family-responsive Workplace award, Zyntern awards in various categories, Gedeon Richter Italia receives Great Place to Work® certificate.
- HR Project of the Year Awards: „Equilibrium program" for the mental health of employees, Richter recognition cards and badges that build a culture of feedback.

Access to Health

Added new product for the treatment of post-menopausal symptoms to Women's Healthcare portfolio.

GOVERNANCE

Completed assessment of Group-level Compliance risk monitoring, which covered anti-corruption, conflict of interest and ethical promotion.



Leadership team



Gábor Orbán
CEO

Appointed Chief Executive Officer from November 1, 2017. Began his professional career as an economist for the National Bank of Hungary and the European Central Bank. He later joined Aegon Asset Management where he worked as a fund manager and the head of the fixed income desk. He served as the state secretary in charge of taxation and the financial sector at the Ministry for National Economy for two and a half years, followed by a year spent at Banque Rothschild where he worked as a consultant. He earned his MA degree at the Budapest University of Economics and studied also in the United States. Richter's Director of Corporate Strategy since September 2016, Chief Operating Officer since 2017. Member of the Company's Board of Directors from April 2017.



István Hamecz
CFO

Graduated at Corvinus University Budapest in 1991. He started his career in the Institute of Economic Policy and Planning of the Ministry of Finance. From 1992 to 1994 researcher at the Institute of Economics of the Hungarian Academy of Sciences (MTA). Between 1994 and 2007 worked at Central Bank of Hungary (MNB) in different positions. From 2001 to 2007 Managing Director in charge of Economic and Monetary Policy at MNB. Between 2007 and 2013 CEO and Chairman of the OTP Fund Management Pte. Ltd. and simultaneously from 2008 to 2012 the member, later Chairman of the Board of Directors at OTP Russia. Managing director in charge of Russia and Ukraine at OTP Bank Plc between 2013 and 2016. Joined Richter in 2020 as Director of Financial Operations, since 2022 Gedeon Richter Plc.'s Chief Financial Officer. Member of Gedeon Richter Plc.'s Board of Directors since April 12, 2022.



Dr István Greiner
R&D Director

Appointed Research Director in 2014. Chemical engineer (M.Sc), a qualified patent attorney, has a PhD and an MBA degree (Open University, UK). Joined Richter in 1984 and has held a number of management positions including Head of Chemical R&D, Head of the Patent Department between 1996 and 1999. In 2001 he was appointed Deputy to the Research Director and from 2006 he also became responsible for the new recombinant biotechnological activity of the Company.

Leadership team



Katalin Erdei
HR Director

After graduating at the University of Szeged from the Faculty of Arts, Katalin Erdei has gained 18 years of experience in the field of human resource management. She worked in various positions at companies such as Győri Kéksz Kft, Ferrero Hungary and then Mars Hungary and Global. From 2012, she was a member of the management board at Mars' Hungarian subsidiary and from 2015, she worked as a Regional HR Manager at the European headquarters of Mars Inc, in Germany. She has joined Richter in 2018 to drive the global HR agenda of our Company.



Tibor Horváth
Commercial Director

Appointed Commercial Director in 2017. Has an MSc in Biology and Chemistry and an MBA in Marketing and International Commerce. Joined Richter in 1999 as a market analyst then worked as a licensing manager. In 2005 he was appointed Managing Director of Richter's German subsidiary Gedeon Richter Pharma GmbH, where he worked until August 2017.



Attila Szénási
Director of Pharmaceutical manufacturing

Director of Pharmaceutical manufacturing, joined the Company at the beginning of 2019. Responsible for production of Budapest and abroad manufacturing sites. Chemical engineer with a degree in organizational management as well. Gained experience in various positions at well known multinational companies in chemical and pharmaceutical industries such as Unilever or Teva and in global environment before entering the Company.



Tamás Szolyák
Director of Global Regulatory Science & Portfolio Management

Joined the company in September 2018 as Head of Regulatory Science. He began his career as a medical representative in 1992. Worked for Novartis and its predecessor companies for 21 years. He filled various positions in sales and marketing. Between 2007 and 2013 he was the General Manager of the Hungarian affiliate of Novartis. Within this period he was the President of AIPM, the local association of innovative companies. From 2013 he focused on healthcare projects, covering development scenarios for the Hungarian primary care system. Joined the Hungarian National Authority of Pharmacy, where he was responsible for regulatory and patient safety matters.

Contacts

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Investor relations manager

Katalin Ördög investor.relations@richter.hu

Financial calendar

| August 4, 2023
Publication of the Consolidated Report 6 months to June 2023

| November 10, 2023
Publication of the Consolidated Report 9 months to September 2023

 <https://www.gedeonrichter.com/en/>

 <https://www.linkedin.com/company/richter-gedeon-hungary/>

All dates in the table may be subject to change!
* Gedeon Richter Plc. will not hold dedicated press conference on the announcement of its annual report. The Company provides information about the annual results at the general meeting.

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