PRESS RELEASE

Estimation of Krka Business Performance in 2019

Novo mesto, 30 January 2020

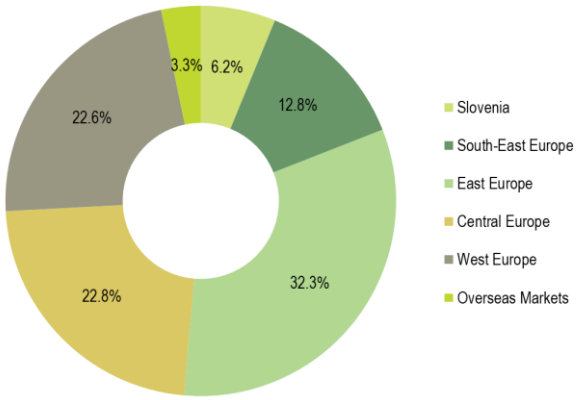
The Management Board of Krka, d. d. held a press conference today and presented the 2019 unaudited performance estimate of the Krka Group and the controlling company Krka discussed by the company Supervisory Board at their meeting yesterday. According to President of the Management Board Jože Colarič, the Krka Group generated €1,489.1 million by products and services sales, or 12% more than in 2018. Based on unaudited financial statement estimates, net profit of the Krka Group is approximated at €242.1 million, up 39% compared to 2018. Publication of the 2019 unaudited financial statements of the Krka Group and Krka is scheduled for Thursday, 19 March 2020.

Sales

The Krka Group generated revenue in total of €1,493.4 million, of which revenue from contracts with customers on sales of products and services amounted to €1,489.1 million, while other revenue from contracts with customers on sales of material and other sales revenue constituted the difference.

The Krka Group revenue from contracts with customers on sales of products and services added up to €1,489.1 million, a €162 million or 12% increase set side by side with 2018 results. All sales regions and most markets recorded sales growth. Sales of all product groups and services advanced as well.

Sales of Products and Services by Region



Generating €481.2 million or 32.3% of total sales, the largest region of the Krka Group in terms of sales was Region East Europe. Sales increased by 17% year-on-year. In the Russian Federation, we made €310.5 million by product sales, a 13% rise compared to 2018. In Ukraine, product sales added up to €79.8 million, an upsurge of 42%. We recorded significant sales growth rates also in most other regional markets.

Region Central Europe, comprising the Visegrad Group and the Baltic states, followed with €339.6 million, or 22.8% of total Krka Group sales. We recorded a 7% rise compared to the year before. Poland, the leading market, generated €159.5 million product sales and recorded 7% growth. Sales also went up in Hungary, Slovakia, Lithuania, Latvia, and Estonia.

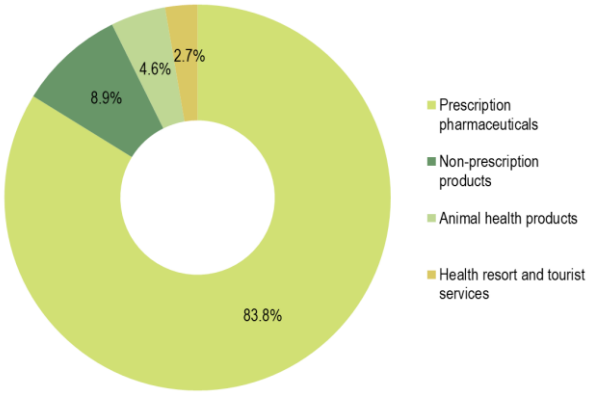
Region West Europe made €336.1 million, a 22.6% share, and was the third largest Krka Group region in terms of sales value. We recorded a 17% rise compared to the year before. Germany, the Scandinavian countries, Spain, and Italy generated the strongest sales. Sales through subsidiaries were essential for continued sales growth and composed 76% of regional sales, while sales through unrelated parties retained the 2018 level. The Scandinavian countries, Benelux, Germany, Portugal, Italy, and the United Kingdom presented strongest growth.

Product sales in Region South-East Europe amounted to €191.3 million, 9% more than in 2018, constituting 12.8% share of total Krka Group sales. Romania and Croatia were our two leading markets. However, we recorded the highest sales growth in Bulgaria and Serbia.

In Slovenia, sales added up to €92.4 million, accounting for 6.2% of total Krka Group sales. The growth rate was 4%. Product sales accounted for €52.9 million, the major portion of sales total, while health resorts and tourist services yielded €39.5 million.

Region Overseas Markets made €48.6 million by product sales, recording 12% growth and 3.3% share of total Krka Group sales.

Sales by Product and Service Group



The Krka Group sales of prescription pharmaceuticals totalled €1,247.3 million, 13% more than last year, accounting for 83.8% of total Krka Group product and service sales. All regions saw higher sales: 18% Region East Europe, 18% Region West Europe, 11% Region Overseas Markets, 9% Region South-East Europe, 6% Region Central Europe, and 1% Region Slovenia. Out of our ten largest individual markets, Ukraine, Germany, and the Russian Federation increased prescription pharmaceutical sales in relative terms the most. Of other markets, Finland, Belarus, and Kyrgyzstan stood out.

Top-ranking therapeutic categories of prescription pharmaceuticals included medicines for the treatment of cardiovascular diseases, the central nervous system, and gastrointestinal agents.

Ten leading prescription pharmaceuticals in terms of sales were product groups containing:

- valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox);
- perindopril (Prenessa, Co-Prenessa, Amlessa, Co-Amlessa);
- losartan (Lorista, Lorista H, Lorista HD, Tenloris);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza);
- rosuvastatin (Roswera, Co-Roswera);
- esomeprazole (Emanera);
- enalapril (Enap, Enap H, Enap HL, Elernap);
- clopidogrel (Zyllt); and
- candesartan (Karbis, Karbicombi).

All pharmaceuticals listed above are marketed under different brand names in individual markets.

Sales of non-prescription products totalled €133.3 million, an 8% year-on-year rise, and accounted for 8.9% of total sales. Sales of animal health products grew by 9% and totalled €69.1 million (4.6% of total sales). Sales of health resort and tourist services totalled €39.5 million, up 5% over the same period last year (2.7% share of total sales).

Estimated Unaudited Profit of the Krka Group and Krka, the Controlling Company

The 2019 preliminary estimated unaudited operating profit of the Krka Group amounted to €274.0 million (18% year-on-year rise), profit before tax totalled €283.7 million (up 40%), and net profit added up to 242.1 million (39% growth).

The 2019 preliminary estimated unaudited operating profit of Krka, the controlling company, amounted to €263.9 million, profit before tax totalled €283.5 million, and net profit added up to 248.1 million (52% growth). In 2019, the controlling company generated €1,390.2 million in sales, up 13% compared to 2018.

Unaudited financial statements of the Krka Group and Krka are due for publishing on 19 March.

Research and Development

In 2019, we filed nine patent applications for technological solutions that we had developed and evaluated as inventions. Based on priority applications from 2018, we submitted five international patent applications. We were granted eight patent rights in various countries. More than 200 patents filed by Krka are currently in force.

We applied for 62 Krka trademarks in Slovenia. We also submitted 38 international and 18 national applications for trademarks. Overall, we have registered more than 1,100 trademarks in several countries.

We were granted marketing authorisations for 20 new products (13 prescription pharmaceuticals, three non-prescription products, and four animal health products) in 43 pharmaceutical forms and strengths.

We were granted marketing authorisations for the following prescription pharmaceuticals:

- Rosamera or Roxampex (perindopril/amlodipine/rosuvastatin) single-pill combination;
- Nebileta or Nebivolol Krka (nebivolol);
- Dasatilen or Dasatinib Krka (dasatinib);
- Atazanavir Krka (atazanavir);
- Tadusto or Twinpros or Dutamyz (dutasteride/tamsulosin);
- Sidarso or Silbesan (silodosin);
- Cinacabet (cinacalcet);
- Paracetamol Krka 1000;
- Pitavastatin Krka (pitavastatin);
- Maysiglu or Sitagavia (sitagliptin);
- A new strength of Camlor or Kandoset or Camdero (candesartan/amlodipine);
- A solution for injection or infusion Metamizol Krka (metamizole); and
- A new formulation of Dexeto or Deksametazon Krka (dexamethasone) solution for injection.

We obtained marketing authorisations for our non-prescription products as follows:

- Vitamin D3 Krka (cholecalciferol);
- Herbion Ivy (ivy leaf dry extract) lozenges; and
- KontrDiar (nifuroxazide).

We were also granted marketing authorisations for our animal health products:

- Awazom (amoxicillin); and
- Milprazon Chewable or Milpragold or Aderexa or Amcofen Sabor or Milprazon Plus or Mektix or Milgusto Chewable (milbemycin/praziquantel) for cats; and
- Prinocate or Imocxocate (imidacloprid/moxidectin) for cats and dogs.

We extended the range of our cardiovascular agents by four new pharmaceuticals. We obtained marketing authorisations under the European decentralised procedure for Rosamera or Roxampex, our new single-pill combination, perindopril/amlodipine/rosuvastatin film-coated tablets in six strengths for lowering increased blood pressure and cholesterol levels. It is indicated for adult patients whose levels are adequately controlled by the same doses of rosuvastatin and perindopril/amlodipine fixed-dose combination taken concomitantly.

We obtained marketing authorisations under the decentralised procedure for Pitavastatin Krka (pitavastatin) film-coated tablets in three strengths. Efficacy of pitavastatin matches that of other statins, but risk of interactions with other medicines is lower.

We were granted a marketing authorisation for our new pharmaceutical, Nolibeta or Nebivolol Krka (nebivolol) tablets for the treatment of hypertension in adults. It can also be used for the treatment of stable mild and moderate chronic heart failure in addition to standard therapies in elderly patients 70 years of age and older.

We were granted marketing authorisations for a new strength of Camlor or Kandoset or Camdero (candesartan/amlodipine) 16 mg/10 mg tablets.

We were granted marketing authorisations under the decentralised procedure for our advanced Maysiglu or Sitagavia (sitagliptin) film-coated tablets in three strengths. Sitagliptin is a dipeptidyl peptidase-4 (DPP-4) inhibitor and is most often combined with other medicines for managing blood glucose levels. It does not increase the risk of cardiovascular related events and does not cause weight gain.

We also obtained marketing authorisations for our new oncology pharmaceutical, Dasatinib Krka or Dasatilen (dasatinib) film-coated tablets in six strengths. Dasatinib is used to treat Philadelphia chromosome-positive acute lymphoblastic leukemia in adults, adolescents, and children aged one year and older.

We obtained marketing authorisations for a new formulation of the established pharmaceutical Dexeto or Deksametazon Krka (dexamethasone) solution for injection. Dexamethasone, a synthetic glucocorticoid, is a basic medication for in-hospital use. It is indicated as supportive therapy for various types of cancer and autoimmune

disorders. Our portfolio of products for inpatient care was extended by marketing authorisations obtained under the decentralized procedure for Metamizol Krka (metamizole) solution for injection or infusion.

The range of our antivirals was expanded by Atazanavir Krka (atazanavir) hard capsules in three strengths. It is indicated for the treatment of human immunodeficiency virus (HIV) infection, as it reduces the viral load in a body and chances of developing the disease. It is used concomitantly with other medicines for the treatment of infected adults and children aged six years and older. It is taken once daily. We obtained marketing authorisations under the centralised procedure in the European countries.

We were granted marketing authorisations for our two new pharmaceuticals indicated for the treatment of an enlarged prostate. The single-pill combination Tadusta or Twinpros or Dutamyz (dutasteride/tamsulosin) hard capsules is indicated for treating moderate to severe symptoms of benign prostatic hyperplasia. It reduces the chance of developing acute urinary retention and the chance that prostate surgery will be needed. Marketing authorisations were granted for Sidarso or Silbesan (silodosin) hard capsules used to treat the signs of an enlarged prostate. It is taken once daily, does not cause cardiovascular adverse reactions, and can therefore be used in the elderly and patients with cardiovascular diseases.

We obtained marketing authorisations under the European decentralised procedure for Cinacabet (cinacalcet) film-coated tablets in three strengths. The medicine regulates levels of parathyroid hormone, calcium, and phosphorus in the body. It is used for the treatment of secondary hyperparathyroidism in patients with kidney disease on dialysis therapy and for reducing high blood calcium levels in patients with cancer of the parathyroid glands or with primary hyperparathyroidism.

We supplemented our range of analgesics by a new strength of the established medicine Paracetamol Krka 1000 (paracetamol) 1 000 mg tablets. It is indicated for the symptomatic treatment of mild to moderate pain and fever in adults and children weighing more than 50 kg.

In the European countries, we obtained marketing authorisations for our new non-prescription product Vitamin D3 Krka (cholecalciferol) tablets in two strengths. It contains bioactive form of vitamin D and is indicated for prevention of vitamin D deficiency in adults, adolescents and children aged six years and older, for the treatment of vitamin D deficiency in adults and adolescents, and as adjunctive therapy in specific treatment of osteoporosis in adults. It does not contain gluten, gelatine, sweeteners or sugar, and can be taken by patients with diabetes.

We obtained marketing authorisations under the European decentralised procedure for Herbion Ivy (ivy leaf dry extract) lozenges. The product thins the mucus in the respiratory tract and facilitates expectoration in wet cough. It is intended for adults and children aged six years and older.

In the Russian Federation, we introduced our new medicine, KontrDiar (nifuroxazide) oral suspension. It is used for treating acute diarrhoea if it is presumed to be of bacterial origin and is without complications. An oral syringe is supplied for precise dosing also for children one month of age and older.

We were granted marketing authorisations for two combination medicines from our range of companion animal products. Prinocate or Imoxicate (imidacloprid/moxidectin) is a spot-on solution for dogs and cats. We obtained marketing authorisations for 100 mg/25 mg/ml spot-on for dogs in four filling sizes. We were granted marketing authorisations for 100 mg/10 mg/ml spot-on for cats and ferrets in two filling sizes. The combination of imidacloprid and moxidectin is an advanced medicine effective against external parasites such as mange, fleas, and lice, as well as against internal gastrointestinal parasites, heartworms, lungworms, and eye worms. It is appropriate for the treatment of mixed infestations in dogs, cats, and ferrets.

In the EU countries, we completed the registration procedure for our new companion animal broad-spectrum wormer, Milprazon or Milgusto or Mektix or Milpragold or Amcofen Chewable (milbemycin/praziquantel) film-coated tablets for treatment of mixed infections in cats. The product contains natural flavour, which makes it palatable and easy to give. Easy application and efficacy of the product are most important to pet owners.

We obtained marketing authorisations under the European decentralised procedure for our new product Awazom (amoxicillin) powder for use in drinking water. The medicine is indicated for the treatment of bacterial infections in chickens, ducks, and turkeys.

Investments

The estimated value of investments made in 2019 by the Krka Group amounted to €113 million, €93 million in the controlling company. Our investments were made to increase and upgrade our manufacturing and development capacities, ensure quality assurance, and construct Krka production-and-distribution centres across the globe.

At the beginning of October 2019, the product development and quality control facility Razvojno-kontrolni center 4 (hereafter RKC 4) in Ločna, Novo mesto, was put to use following an opening ceremony. The €55.6 million investment allowed us to almost double our research-and-development and analytical capacities necessary to provide high-quality products. Another important phase in the technological development of Krka has been completed that ensures coordinated operations of research and development and production and control, essential advantages of our vertically integrated business model.

At the end of 2017, Krka started building a multipurpose warehouse also in Ločna, Novo mesto, to ensure additional storage room for incoming materials and finished products. This will increase production speed and flexibility, and improve product availability and market supply. In December 2019, we passed the last technical inspection and obtained operating permits for all buildings. At the beginning of 2020, Javna agencija Republike Slovenije za zdravila in medicinske pripomočke (JAZMP; Agency for Medicinal Products and Medical Devices of the Republic of Slovenia) carried out final examination of sampling rooms and the transport equipment, so complete multi-purpose warehouse could start operating. The entire investment was estimated at €36 million.

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. The increasing demand for additional production capacities has incited us to acquire extra technological equipment. In 2019, we started equipping a new packaging facility. We installed seven highly automated and robotised packaging lines and plan to purchase and start up another seven lines over the upcoming two years. In 2019, we allocated €18 million to the packaging facility equipment. Total investment is estimated at €41 million. The plant will be technologically equipped in 2021 when the small-scale production equipment is moved and large-scale production equipment is installed, which will allow us to manufacture 5 billion tablets per year.

We increased manufacturing capacities for animal health products with biocidal effect in our Bršljin plant in Novo mesto. This investment totalled €4.2 million.

By purchasing an inspection machine, we increased the capacities for production of lozenges at our Ljutomer plant. We also upgraded the systems and equipment in one part of the plant. We apportioned €1.9 million to the investment.

In Krško, construction of a new warehouse started in June. The facility will provide warehousing of raw materials for chemical and pharmaceutical production in compliance with the guidelines of the *Technical Rules for Hazardous Substances* (TRGS). At the end of 2019, the warehousing facility was constructed to the extent that mechanical and electrical wiring installation works could start. Completion of the €8.2 million building is planned for July 2020.

In February 2019, the European Union introduced new rules regarding the protection of public health by preventing the entry of falsified medicinal products into the pharmaceutical supply chain. In compliance with the Directive, we introduced obligatory safety features on the outer packaging of medicines, which prevent falsified medicines from reaching patients; we also implemented many upgrades of technological equipment and production procedures. Over the last three years, we allocated approximately €20 million for the new equipment and technology. Safety measures required by Russian legislation as of 2020 are also part of this investment.

We constructed a new office building in Ljubljana, which was officially put to use in mid-September. The investment amounted to €12 million.

One of the most important investments in Krka subsidiaries abroad is investment in the Krka-Rus plant in the industrial zone of the town of Istra, north-west of Moscow, where we manufacture slightly more than 2 billion tablets or 72% of products that Krka currently sells in the Russian Federation. We have the status of domestic producer in the Russian Federation.

We plan to increase manufacturing and laboratory capacities of the existing and partly refurbished premises of Krka-Rus 1 and Krka-Rus 2. According to the plan, four tablet presses, four packaging lines, and additional microbiological control and physico-chemical laboratories will be purchased and installed gradually. The investment is estimated at €33 million.

The €1.7 million investment in production of solid forms of animal health products at the production-and-distribution centre in Jastrebarsko, Croatia, has entered its final stage. We invested a total of €0.5 million in optimisation of production equipment in our subsidiary TAD Pharma, Germany, and €0.6 million in Krka - Polska.

We made several small investments in business units of the subsidiary Terme Krka.

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. We obtained an EU GMP certificate for the leased production facilities. Commercial manufacture of the first product intended for markets outside China started at the end of 2018, when we also filed all marketing authorisation documents required for its sales in China. In 2019, we additionally equipped the facilities taken on lease with production and quality assurance equipment and started manufacturing several products for markets outside China.

Employees

At the end of 2019, the Krka Group had 11,696 employees, of that 5,699 abroad, which accounts for just short of 49% of the total Krka Group headcount. The proportion of Krka Group employees with at least university-level qualifications was 52%. This includes 198 employees with a doctoral degree. Together with agency workers, the Krka Group had 12,770 persons on payroll, 288 more than at the end of 2018.

Investor Information

In 2019, the price of Krka share on the Ljubljana Stock Exchange increased by just shy of 27% reaching €73.20 at the end of the year. Market capitalisation of the Company amounted to €2.4 billion.

At the end of 2019, Krka had 48,631 shareholders. The shareholders' structure, with 38.5% of individual Slovenian retail investors and 23.0% of international investors, is stable and without any major changes.

In 2019, Krka acquired 340,805 treasury shares. On 31 December 2019, Krka held 1,234,252 treasury shares, which is 3.764% of the share capital.

2020 Krka Group Plans

According to the 2020 plan, the Krka Group sales are projected at €1.520 million and profit at just over €210 million. Krka intends to allocate €134 million for investment projects to increase and modernise production capacities and infrastructure. We plan to increase the number of employees in Slovenia and abroad by 3%. At the end of 2020, the total number of regular employees is projected to exceed 12,300.

The 2020 operations plan derives from the Krka Group development strategy 2020–2024. It is based on estimates, assessments, projections, and other available data at disposal to the Management Board. The Management Board believes the projections are reasonable. Should the business conditions in 2020 differ significantly from the projections, operating results may also be different from the plan.

No Alleged Irregularities Identified in Romania

In the period from 14 to 24 January 2020, the media cited reports by the Romanian internet portal and newspaper the *Libertatea,* claiming the press had obtained information on the alleged irregularities that involved employees of a Krka subsidiary, Krka Romania S.R.L., Bucharest (hereafter Krka Romania). On 17 January 2020, we informed the public that we had appointed a special team to review in detail the operations of the Krka subsidiary in Romania in relation to the published allegations.

Based on the findings of the special team, Krka, d. d., Novo mesto denies justification of any allegations related to reports that Krka Romania acted unlawfully and marketed medications by bribing healthcare professionals, allegedly following the instructions given to the employees of the subsidiary by the controlling company.

Krka promotes its products in ways permitted by national legislations and, as a member of generic manufacturers' association Medicines for Europe, in compliance with the stipulations of its *Code of Conduct*. All marketing personnel of Krka are bound by the *Code of Conduct*, *Krka's Code of Promotion*, the *Rules on Fraud Prevention, Detection and Investigation*, and other bylaws. All Krka employees who visit healthcare professionals and pharmacists are properly

trained before commencing work and must regularly undergo further training throughout their employment. Training encompasses professional knowledge related to Krka products, expert medical and pharmaceutical knowledge, and regulations governing promotion of pharmaceuticals. Krka, as the controlling company of the Krka Group, draws up guidelines for business operations, but the managers of each subsidiary are accountable for ensuring business operations in compliance with their national legislations.

Krka Romania carries out the following promotional activities that are legal and comply with the legislation of the EU and Romania governing pharmaceutical promotion to expert community: visiting healthcare professionals, presenting samples, sponsoring scientific congresses and promotional meetings attended by persons qualified for prescribing or dispensing pharmaceuticals. Based on the 2010–2014 report by Consiliul Concurente, the Romanian competition agency, sponsorship is one of the legitimate means of promotion of pharmaceuticals. According to the said agency report, the originators spend several-fold more funds on sponsorship of their products than generic pharmaceutical companies.

Krka has instigated an internal investigation and has found that allegations about the systemic corruption in Romania are not justified, as are not the allegations referring to employees of Krka Romania, and has established that in no way whatsoever was the corruption managed from Slovenia by the controlling company.

The investigation of the spreadsheets published by the *Libertatea* also showed that the employees in Romania and Slovenia were not familiar with them, nor could they be found at Krka Romania. The investigation, however, revealed that the employees in Romania possessed various spreadsheets generated by themselves or according to the instructions of their immediate superior to whom they also reported, and the superior in turn reported to the management of the subsidiary.

Krka does not pay healthcare professionals by prescriptions in any of its markets. The company requires funds allocated for promotion be used legally and prudently. This means that sponsoring scientific congresses and promotional meetings is approved for making familiar with the developments in the medical field healthcare professionals from various expert areas and specialist doctors engaging in therapeutic areas embarked by Krka. Krka invests in promotion exclusively in order to reach legitimate objectives, to become renowned as a pharmaceutical company that supplies medicinal products of highest quality at affordable prices and to make it possible for healthcare professionals to become familiar with the latest developments in the field of pharmaceuticals. The good name and trust in Krka products shared by healthcare professionals and patients in Romania stem from long-term professional work and are by no means linked to corruption as claimed by the internet portal the *Libertatea* in any way.

According to the investigation, the subsidiary in Romania received relevant instructions from the controlling company. However, it cannot be completely ruled out that in the past a certain individual employee of the subsidiary had violated the bylaws of Krka and obligations arising from the employment relationship. Based on the findings, Krka is implementing measures that also aim to further improve transparency and compliance.

The Supervisory Board were informed about the Management Board report and support all measures adopted in relation to this matter.