

## PRESS RELEASE

### Krka Reports on 2022 Semi-Annual Business Results

Novo mesto, 21 July 2022

In the first half of 2022, the Krka Group generated revenue in the amount of €857.4 million, up 6% on the first half of 2021, yielding net profit of €236.2 million, a 33% year-on-year increase. The Supervisory Board of Krka discussed the 2022 semi-annual business report for the Krka Group and Krka at their regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič explained: 'The Krka Group performed successfully in the first half of 2022. Sales increased in all six sales regions, most our key markets, and also in all product and service groups. We recorded the highest semi-annual net profit to date. The situation in Ukraine and the Russian Federation leaves us no choice but to constantly adapt our business in many areas. The course of future events and their impact on Krka's annual performance are difficult to assess given the state of affairs. Results for the first half of the year are encouraging, and we expect to achieve the 2022 goals. Our sales are planned at €1,610 million and net profit at approximately €300 million. Business results for the remaining part of 2022 may depend on any new situation that might arise, including a potential new wave of COVID-19, the related restrictions imposed by individual countries, rising prices of raw materials and energy-generating products, the situation in eastern Europe, and volatility of exchange rates important to Krka.'

### Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–Jun 2022	Jan–Jun 2021	Index	Jan–Jun 2022	Jan–Jun 2021	Index
Revenue	857,443	808,585	106	846,874	711,771	119
– Of that revenue from contracts with customers (products and services)	853,440	806,546	106	706,544	631,970	112
Gross profit	433,687	460,744	94	509,658	403,534	126
EBITDA	192,373	255,030	75	282,730	208,650	136
Adjusted EBITDA <sup>1</sup>	270,112	255,030	106			
Operating profit (EBIT)	139,250	200,505	69	241,777	165,980	146
Adjusted EBIT <sup>1</sup>	216,989	200,505	108			
Profit before tax (EBT)	277,059	207,251	134	377,692	178,114	212
Net profit	236,151	177,426	133	317,526	154,586	205
Effective tax rate	14.8%	14.4%		15.9%	13.2%	
R&D expenses	81,020	75,581	107	81,472	73,675	111
Investments	49,479	29,503	168	34,986	22,503	155

### Performance Ratios

	Krka Group		Krka	
	Jan–Jun 2022	Jan–Jun 2021	Jan–Jun 2022	Jan–Jun 2021
Gross profit margin	50.6%	57.0%	60.2%	56.7%
EBITDA margin	22.4%	31.5%	33.4%	29.3%
Adjusted EBITDA <sup>1</sup> margin	31.5%	31.5%		
EBIT margin	16.2%	24.8%	28.5%	23.3%
Adjusted EBIT <sup>1</sup> margin	25.3%	24.8%		
EBT margin	32.3%	25.6%	44.6%	25.0%
Net profit margin (ROS)	27.5%	21.9%	37.5%	21.7%
Return on equity (ROE)	22.6%	19.3%	31.2%	16.6%
Return on assets (ROA)	17.6%	15.2%	24.9%	13.5%
Liabilities/Equity	0.251	0.256	0.223	0.215
R&D expenses/Revenue	9.4%	9.3%	9.6%	10.4%

<sup>1</sup> We have increased the inventories of raw materials, materials, bulk products, and products in our subsidiaries in the Russian Federation to provide for long-term uninterrupted supply of Krka's pharmaceuticals in the Russian market. The purchase was made in roubles. Inventories are current, necessary, and will be converted into finished products and sales in the upcoming months. The value of the said inventories expressed in the euro further increased on account of significant appreciation of the rouble, which impacted the Krka Group income statement and temporarily reduced its EBITDA and EBIT. In order to present the results correctly, the table above includes accounting values as well as adjustments. Adjusted EBITDA and EBIT do not include the effect of unrealised profit in inventory of intragroup companies in the amount of €77.7 million as a result of the appreciation of the rouble.

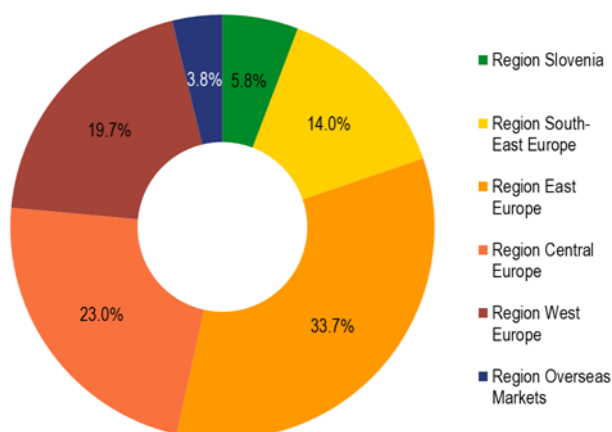
## Sales

The Krka Group generated €857.4 million in revenue, of which revenue from contracts with customers (products and services) reached €853.4 million in the first six months of 2022, Krka's strongest half-year sales to date. Overall sales grew by €48.9 million or 6% year on year.

Sales increased in all sales regions, most key markets, and in all product and service groups. Sales volume increased by 5%.

### Product and Service Sales by Region

€ thousand	Krka Group		
	Jan–Jun 2022	Jan–Jun 2021	Index
Region Slovenia	49,420	41,772	118
Region South-East Europe	119,261	112,266	106
Region East Europe	287,683	276,523	104
Region Central Europe	196,063	188,903	104
Region West Europe	168,536	159,622	106
Region Overseas Markets	32,477	27,460	118
<b>Total</b>	<b>853,440</b>	<b>806,546</b>	<b>106</b>



Accounting for 33.7%, the Group's largest region in terms of sales was Region East Europe. Product sales reached €287.7 million, up €11.2 million or 4% year on year. Product sales in the Russian Federation, our largest individual market, totalled €172.7 million, a 3% year-on-year increase. We generated €45.8 million in product sales in Ukraine, down 1% year on year. We recorded sales growth in all other markets of eastern Europe and central Asia, except Kyrgyzstan.

Second largest sales region was Region Central Europe, accounting for 23% of total Krka Group sales. This region generated €196.1 million in product sales, up €7.2 million or a 4% climb year

on year. Product sales added up to €88.8 million in Poland, our second largest individual market, up 1% year on year. Sales denominated in the Polish zloty grew by 3%. Our product sales advanced by 16% to €30 million in the Czech Republic. All three Baltic markets also recorded growth.

Generating €168.5 million, Region West Europe was the third largest region in terms of sales and account for 19.7% of Krka Group sales. Sales grew by €8.9 million or 6% year on year. In Germany, Krka's largest market in the region and third largest individual market, product sales amounted to €47.2 million, recording a 9% year-on-year increase. We achieved sales growth in most other regional markets as well, the highest in Benelux (29%), Scandinavia (17%), and Portugal (16%).

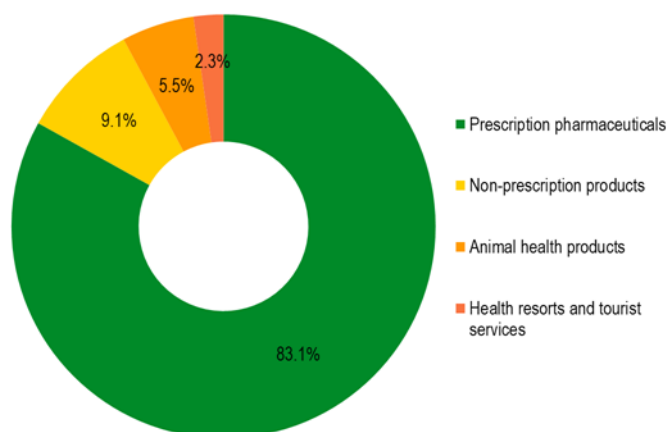
Region South-East Europe generated product sales of €119.3 million, constituting 14% of Krka Group sales. Product sales went up by €7 million or 6% year on year. We recorded sales growth in all markets of the region and the highest absolute growth in Croatia, Romania, and Serbia.

Region Slovenia increased sales of products and services by 18% to €49.4 million. Product sales amounted to €30 million, up 6% year on year. Health resorts and tourist services yielded sales total of €19.4 million, a 46% year-on-year climb. Domestic market sales accounted for 5.8% of Krka Group sales.

Region Overseas Markets generated product sales of €32.5 million, up 18%, constituting a 3.8% share of Krka Group sales.

## Sales by Product and Service Group

€ thousand	Krka Group		
	Jan–Jun 2022	Jan–Jun 2021	Index
Human health	786,814	748,246	105
– Prescription pharmaceuticals	709,172	689,129	103
– Non-prescription products	77,642	59,117	131
Animal health products	47,208	44,960	105
Health resorts and tourist services	19,418	13,340	146
<b>Total</b>	<b>853,440</b>	<b>806,546</b>	<b>106</b>



Prescription pharmaceuticals constituted the major part, i.e. 83.1%, of the Krka Group total sales. The Krka Group generated €709.2 million by sales of prescription pharmaceuticals, up 3% on the first half of 2021. Year-on-year sales increases by regions were as follows:

- Region Overseas Markets 17%;
- Region West Europe 6%;
- Region Slovenia 6%;
- Region South-East Europe 4%; and
- Region Central Europe 1%.

Sales of non-prescription products reached €77.6 million, up 31% on the same period last year (i.e. 9.1% share of overall sales). Sales of

animal health products increased by 5% to €47.2 million, accounting for 5.5% of total sales. Health resorts and tourist services generated €19.4 million, 2.3% of total sales, up 46% year on year.

## Research and Development

We plan to obtain marketing authorisations for at least 12 new products in 2022. We intend to provide for even higher quality and safety of the established products by undertaking additional development activities. In the first half of 2022, we added four new products to our product portfolio.

We obtained marketing authorisations for prescription pharmaceuticals as follows:

- An antithrombotic agent Dabixom (dabigatran etexilate);
- A new single-pill combination of perindopril arginine and amlodipine for the treatment of cardiovascular diseases, available on markets as Neoamlessini, Amlessa, AmlessaNEO, Aramlessa, Tonarssa NEO, Dalnessaneo, Dalnessa AS, or Aperneva;
- The cardiovascular agent valsartan in China.

We extended our portfolio of non-prescription products with Magnezij Krka 400 water soluble granules.

In the first half of 2022, we obtained 217 new marketing authorisations on various markets, of that 139 for prescription pharmaceuticals, 12 non-prescription products, and 66 animal health products.

We obtained a new Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our losartan API.

We pay special attention to established products, evaluate, complement, and adjust them to latest scientific findings and regulatory and marketing requirements, which makes it possible for us to uninterruptedly supply our products to all markets. This year, we have filed marketing authorisation documents for almost 14,000 variations and received approvals for more than 15,000 regulatory variations, of which more than half present an even higher level of quality. We can increase flexibility and competitiveness in providing product supplies to the markets owing to this.

## Investments

In the first half of 2022, the Krka Group allocated €49.5 million to investments, of that €35.0 million to the controlling company.

Our important investments are stated below.

- We finished equipping Notol 2 (Novo mesto, Slovenia), our state-of-the-art plant for the production of solid dosage forms. We installed several highly automated and robotised packaging lines, of which the last two were made ready for operation in June 2022. This made the facility fully technologically equipped. Its full capacity is 5 billion manufactured and 8 billion packed tablets and capsules per year. We apportioned €39.2 million to the investment.
- We finished several investments in total of €8.2 million to upgrade the capacities for research, development and analyses in our development-and-control laboratories.
- We are investing €26 million in additional capacities for compression mixture preparation and granulation in the tablet compression process, and in logistic capacities at the Solid Dosage Form Products plant (Novo mesto, Slovenia). We estimate 2022 expenses for room refurbishment and procurement of technological equipment at €17 million.
- We started preparation works for the construction of a multi-purpose replacement building called Paviljon 3 in Novo mesto (Slovenia) in March. It will house an extension for our microbiology laboratory and additional rooms for several organisational units. Earthworks and laying deep foundations for the building are currently in progress. The investment is estimated at €19.3 million.
- We plan to build an extension to Sterile Products Department and install a new line for sterile solutions in order to double the capacity for the manufacture of animal health products. This will provide for the long-term production of higher volumes of sterile products in compliance with GMP standards. The investment was estimated at €29 million.
- We also plan to increase the production capacities for granulation and packaging at our Ljutomer Department (Slovenia), and refurbish the rooms in the old part of the plant in compliance with good manufacturing practice guidelines. The total value of investments was estimated at €16.4 million.
- We plan to build new facilities for API development and production in Krško, Slovenia. We have obtained building permits for Sinteza 2 plant (for API synthesis) and laboratories for chemical analyses (Kemijsko-analitski center in Slovene) based on project documents and environmental impact assessment. The procedures for obtaining an environmental permit have started. We intend to start construction after the permit is granted. This project also includes construction of a highly efficient wastewater treatment plant for complete treatment of effluent. The investment estimated at €163 million agrees with our strategy of vertical integration, from the development of a product to its production.
- We expect installation of the secondary packaging line in the production-and-distribution centre in Jastrebarsko (Croatia) to increase production capacities for solid forms of animal health products by one quarter. The investment is estimated at €1.8 million.
- Investment in expansion of production and laboratory capacities at the Krka-Rus plant in the industrial zone of Istra, a town north-west of Moscow, is in the finishing phase.
- Our joint venture Ningbo Krka Menovo in China continues to purchase manufacturing and quality control equipment. The manufacture of products for markets outside the country has been arranged in facilities taken on long-term lease, and since January 2021 also of first products intended for the Chinese market.

## Employees

At the end of June 2022, the Krka Group employed 11,618 people, up 1% on the year-end 2021, of whom 5,331 worked abroad, constituting 46% of the total Krka Group headcount. The Krka Group employees with at least university-level qualifications accounted for 51% of all personnel, and 203 employees held doctoral degrees. Together with agency workers, the Krka Group employed 12,576 persons.

## Investor and Share Information

Krka had 47,142 shareholders at the end of June 2022. On 30 June 2022, Krka share traded at €94.20 on the Ljubljana Stock Exchange, down 20% on year-end 2021, when it traded at €118.

In the first half of 2022, Krka repurchased a total of 21,689 treasury shares. At the end of June 2022, it held 1,705,597 treasury shares, accounting for 5.201% of total shares.