

PRESS RELEASE

Krka Releases 2022 Unaudited Financial Statements

Novo mesto, 16 March 2023 – Krka released the 2022 unaudited financial statements of the Krka Group and the controlling company Krka, d. d., Novo mesto today. The report was published on the Ljubljana Stock Exchange website after being discussed by the company's Supervisory Board at their meeting yesterday. The Krka Group revenue in 2022 totalled €1,717.5 million, up 10% on 2021, the highest since incorporation. The Krka Group's unaudited net profit was €363.7 million, an increase by €55.5 million year-over-year, or 18%, i.e. also the highest so far. The 2022 Annual Report is being released on Thursday, 13 April 2023.

The President of the Management Board and Chief Executive Jože Colarič explained: "As reported in January, Krka Group operations in 2022 were successful and in line with expectations. The actual full-year sales value remains as reported in the 2022 unaudited performance estimate, while operating profit and net profit have exceeded our estimates by €0.9 million and by €2.5 million, respectively. Last year's performance testifies to the fact that we are responsive and well-prepared to adapt instantly to new opportunities and challenges arising from changed circumstances, and this is owing to our resilient vertically integrated business model. We will continue to pursue this model also in the future."

Financial Highlights

€ thousand	Krka Group			Company		
	2022*	2021	Index	2022*	2021	Index
Revenue	1,717,453	1,565,802	110	1,553,514	1,381,367	112
– Of that revenue from contracts with customers (products and services)	1,708,542	1,560,288	110	1,356,075	1,211,494	112
Gross profit	974,393	891,208	109	890,182	766,535	116
Earnings before interest, tax, depreciation and amortisation (EBITDA)	488,895	463,625	105	440,086	358,188	123
Operating profit (EBIT)	381,211	354,788	107	357,870	273,325	131
Profit before tax (EBT)	433,073	362,417	119	412,258	285,956	144
Net profit	363,662	308,150	118	348,215	245,216	142
R&D expenses	162,580	154,559	105	158,292	150,232	105
Investments	105,974	66,386	160	79,540	49,493	161

Performance Ratios

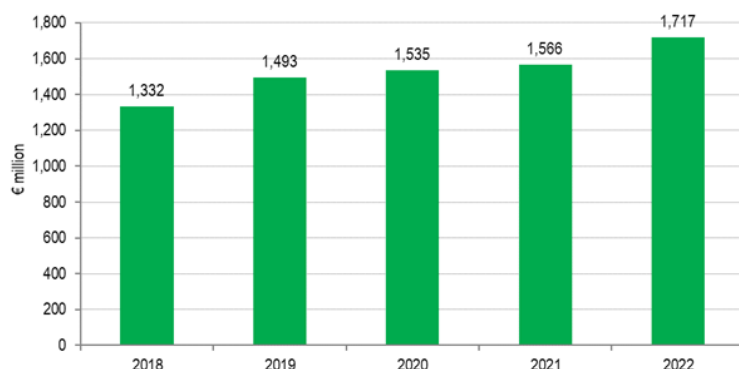
	Krka Group		Company	
	2022*	2021	2022*	2021
Gross profit margin	56.7%	56.9%	57.3%	55.5%
EBITDA margin	28.5%	29.6%	28.3%	25.9%
EBIT margin	22.2%	22.7%	23.0%	19.8%
EBT margin	25.2%	23.1%	26.5%	20.7%
Net profit margin (ROS)	21.2%	19.7%	22.4%	17.8%
Return on equity (ROE)	17.9%	16.8%	17.7%	13.4%
Return on assets (ROA)	13.9%	12.9%	14.1%	10.6%
Liabilities/Equity	0.257	0.322	0.221	0.294
R&D expenses/Revenue	9.5%	9.9%	10.2%	10.9%

* The 2022 data are unaudited.

Krka Group Business Performance

Operating Income

Revenue



In 2022, the Krka Group generated revenue of €1,717.5 million (of which revenue from contracts with customers on the sales of products and services totalled €1,708.5 million, while the rest was revenue from contracts with customers on the sales of materials, and other sales revenue), **a €151.7 million or 10% increase on 2021**. Over the past five years average annual revenue growth rate was 6.3%.

Other operating income of the Krka Group amounted to €9.2 million.

Operating Expenses

Krka Group operating expenses totalled €1,345.4 million, up €123 million or 10% on 2021.

Operating expenses included €743.1 million of costs of goods sold, €349.1 million of selling and distribution expenses, €162.6 million of R&D expenses, and €90.7 million of general and administrative expenses. Operating expenses accounted for 78% of revenue in 2022, while ranging between 75% in 2020 and 83% in 2018 and 2019 over the past five-year period.

The largest operating expense was costs of goods sold, which increased by 10% year-over-year. They accounted for 43.3% of revenue, while representing 43.1% in 2021. Selling and distribution expenses increased by 14% and accounted for 20.3% of revenue, up 0.8 of a percentage point on 2021. R&D expenses accounted for 9.5% of revenue (down 0.4 of a percentage point on 2021), having increased by 5%. General and administrative expenses amounted to 5.3% of revenue, a 4% increase, their proportion dropping by 0.3 of a percentage point.

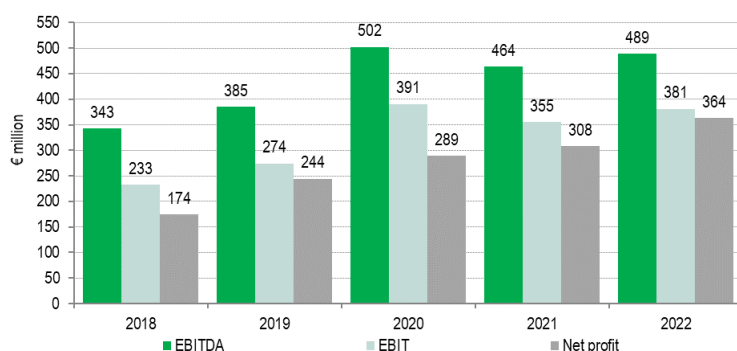
Financial Income and Expenses

The Krka Group operates in a diverse international environment and is exposed to foreign exchange risks in certain sales and purchase markets.

The total Krka Group result of net foreign exchange gains and hedging amounted to €52.7 million, of which net foreign exchange gains amounted to €43.6 million and derivatives income to €9.1 million. Interest income amounted to €3.8 million, income from dividends to €0.7 million, and other financial income to €0.5 million. Financial expenses consisted of interest expenses (€1.3 million) and other financial expenses (€4.5 million).

The Krka Group's net financial result for 2022 totalled €51.9 million.

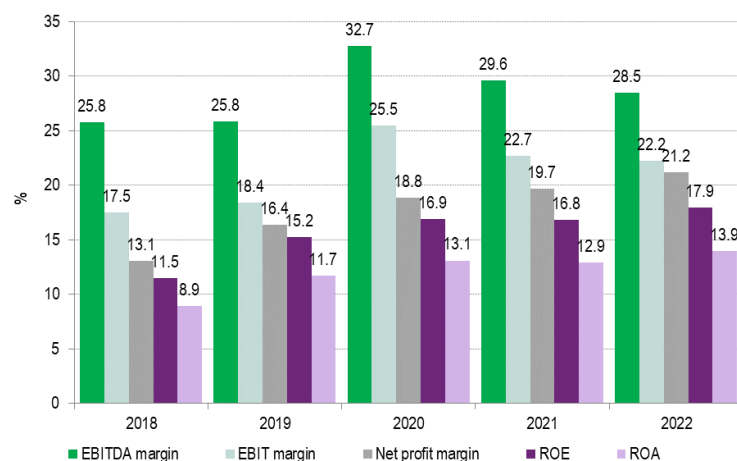
Operating Results



Krka Group EBITDA amounted to €488.9 million, up €25.3 million or 5%. EBIT was €381.2 million, up €26.4 million or 7% on 2021.

Profit before tax for 2022 increased by €70.7 million or 19% year-over-year, to €433.1 million. The effective tax rate was 16%. **Net profit totalled €363.7 million, up €55.5 million or an 18% increase on 2021.** Over the past five years average annual net profit growth rate was 19%.

Performance Ratios



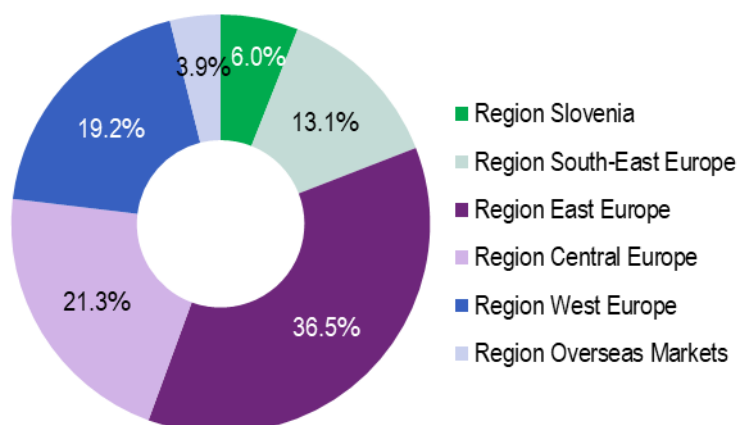
All ratios are in line with the Group's strategic objectives. ROS, ROE and ROA in 2022 reached the highest values in the last five years.

Krka Group Sales

Sales growth was recorded in all sales regions and most sales markets, for all product groups and services.

Product and Service Sales by Region

€ thousand	2022	2021	Index
Region Slovenia	103,047	92,880	111
Region South-East Europe	224,523	209,166	107
Region East Europe	623,377	547,778	114
Region Central Europe	364,154	351,501	104
Region West Europe	327,343	305,246	107
Region Overseas Markets	66,098	53,717	123
Total	1,708,542	1,560,288	110



In 2022, the Krka Group generated €1,708.5 million of revenue from contracts with customers on the sales of products and services, an increase by €148.3 million or 10% compared to the 2021 results.

The largest in terms of sales was Region East Europe. This is where the Krka Group generated €623.4 million, accounting for 36.5% of sales total, up 14% year-on-year. In the Russian Federation we sold €387 million worth of products, a 16% rise on 2021. Krka has two subsidiaries there: a marketing and distribution company, and a production company which manufactures over 70% of all products sold in the Russian market. The production process has been smooth, and demand for Krka products in the Russian Federation is adequate. In Ukraine, where Krka runs its own marketing company, we have adjusted to the conditions and performed well. We sold €95.2 million worth of products, a 1% year-on-year decrease. In all other markets of the region sales were up.

The second largest in terms of sales was Region Central Europe, where sales amounted to €364.2 million, which is 21.3% of overall sales and a 4% increase compared to the year before. The Region's leading market was Poland, where Krka generated product sales of €168.2 million and recorded a 1% sales growth. Sales also increased in other countries of the Region except Hungary. In absolute terms sales climbed the most in the Czech Republic, while the markets that recorded the highest sales increases in relative terms were the Czech Republic and Lithuania.

The third largest region in terms of sales was Region West Europe where sales totalled €327.3 million, accounting for a 19.2% share of overall Krka Group sales. Sales there were up 7% year-on-year. The Region's largest market was Germany, where product sales totalled €88.6 million, up 10%. The Scandinavian countries, France, Italy and Portugal followed. The highest sales growth rates were recorded in the Benelux, Portugal and Germany.

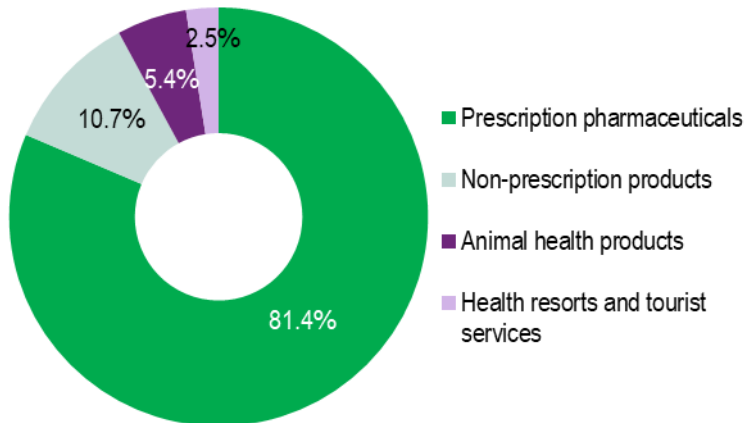
Product sales in Region South-East Europe amounted to €224.5 million, up 7% on 2021. This is 13.1% of total Krka Group sales. While sales increases were witnessed by all regional markets, it was Romania and Croatia – still the Region's leading markets – where we recorded the highest absolute sales growth.

In Slovenia, Krka Group sales were €103 million, accounting for 6% of total Krka Group sales and climbing 11% year-on-year. The bulk of sales total came from product sales, which increased by 7% to €60.5 million. Health resorts and tourist services sales amounted to €42.6 million, a 17% rise on 2021.

Region Overseas Markets represented a 3.9% share of total Krka Group sales, product sales there amounting to €66.1 million, a 23% year-on-year climb.

Sales by Product and Service Group

€ thousand	2022	2021	Index
Human health products	1,572,949	1,442,566	109
– Prescription pharmaceuticals	1,390,972	1,305,316	107
– Non-prescription products	181,977	137,250	133
Animal health products	93,041	81,257	115
Health resorts and tourist services	42,552	36,465	117
Total	1,708,542	1,560,288	110



The Krka Group sales of prescription pharmaceuticals in 2022 totalled €1,391 million, up 7% on 2021, accounting for 81.4% of total Krka Group sales of products and services. Sales increased in all regions, climbing 25% in Region Overseas Markets, 9% in Region East Europe, 7% in Region Slovenia, 6% in both Region South-East Europe and Region West Europe, and 2% in Region Central Europe. As to the highest relative growth in the sales of prescription pharmaceuticals, it was the Czech Republic, Germany and the Russian Federation that were in the lead among our largest ten individual markets, while China, Uzbekistan and Kazakhstan stood out among the others. Krka's top-ranking therapeutic classes of prescription pharmaceuticals also in 2022 included cardiovascular system agents, central nervous system agents, and products for the gastrointestinal tract.

The ten leading prescription pharmaceuticals in terms of sales were product groups containing containing APIs:

- Perindopril (Prenessa, Co-Prenessa, Amlessa, Co-Amlessa, Roxiper, Roxampex),
- Valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox),
- Losartan (Lorista, Lorista H, Lorista HD, Tenloris),
- Pantoprazole (Nolpaza),
- Rosuvastatin (Roswera, Co-Roswera),
- Atorvastatin (Atoris),
- Esomeprazole (Emanera),
- Enalapril (Enap, Enap H, Enap HL, Elernap),
- Tramadol (Doreta, Tadol) and
- Candesartan (Karbis, Karbicombi, Kandoset).

These pharmaceuticals are marketed under different brand names in individual markets.

Non-prescription products sales were up 33% year-over-year and contributed €182 million to overall sales (a 10.7% share of sales total). The incidence of common cold and flu increased, because restrictions associated with the COVID-19 pandemic were lifted. This boosted demand for cold and cough products, our most important group of non-prescription products. Our most important non-prescription product brands in terms of sales include Septotele, Herbion, Nalgesin and Bilobil.

The sales of animal health products grew by 15% and amounted to €93 million (5.4% of total Krka Group sales). The combination of milbemycin and praziquantel (Milprazon) was our best-selling animal health product. It was followed by products containing fipronil (Fypryst, Fypryst Combo), selamectin (Selehold), enrofloxacin (Enroxil), and products combining pyrantel and praziquantel (Dehinel, Dehinel Plus).

Health resorts and tourist services sales contributed €42.6 million in sales, up 17% on 2021 (2.5% of total Krka Group sales).

Research and Development

Marketing authorisations were granted for 11 of new products, of that 9 prescription pharmaceuticals, and 2 non-prescription products:

- One of them is Aregalu/Teriflago (teriflunomide) in the form of film-coated tablets. This is the medicine of choice for most patients with relapsing-remitting multiple sclerosis.
- Krka's range of antidiabetics available on the Russian market was expanded with Dapaforse (dapagliflozin) film-coated tablets.
- Using new scientific studies in the field of synthesis and analytical methods we developed a new synthesis process for the API tapentadol which is integrated in Apeneta/Adoben/Tapendolor (tapentadol) prolonged-release tablets. The medicine is used to relieve strong chronic pain in adults.
- Our portfolio of cardiovascular system agents was supplemented with a new product, Tezulix (ranolazine) prolonged-release tablets. It is used with other medications to treat patients with progressed atherosclerosis who suffer from stable angina.
- We have developed and obtained marketing approvals for Dabixom (dabigatran etexilate) hard capsules. This antithrombotic agent is used for the treatment and prevention of atherothrombotic and thromboembolic events in adults with various cardiovascular diseases. Dabixom was granted approval in the Russian Federation. The vertical integration model was used in this product's manufacture. API synthesis and formulation development were the results of our know-how.
- A new perindopril arginine-based product was granted a marketing authorisation. In 2021 we had obtained the first marketing authorisations for products based on this new perindopril salt. This year we added to the product group the combination of perindopril arginine and amlodipine, available on markets as Neoamlessini/Amlessa/Amlessa NEO/Aramlessa/Tonarssa NEO/Dalnessaneo/Dalnessa AS/Aperneva. The perindopril arginine API has been developed and is being produced using our vertical integration model.
- We continued obtaining new marketing authorisations for our products in China. Based on the approval results of additional research and bioequivalence studies consistent with the requirements of Chinese regulators, we obtained approvals to market our valsartan film-coated tablets and our perindopril tert-butylamine/indapamide single-pill combination. Both are used to treat cardiovascular diseases.
- We developed and obtained marketing authorisations for Vitamin D3 Krka (cholecalciferol) tablets in the new strength of 7,000 IU, which allows the vitamin to be taken once a week.
- Magnezij Krka 400 in the form of water soluble granules is a food supplement that contains magnesium citrate and B₂. Both active substances help reduce fatigue and exhaustion, and support normal functioning of the nervous system. Magnesium citrate is also vital for proper muscle function. Our product does not contain preservatives, artificial colouring agents, flavours, sweeteners, gluten, or lactose.
- Krka also received its first marketing authorisation for sildenafil available without a prescription. By obtaining the new legal status for this erectile dysfunction medicine, we have made it more available to users.

We finalised 490 marketing authorisation procedures in different markets, obtaining approvals for 358 prescription pharmaceuticals, 22 non-prescription products and food supplements, and 110 animal health products.

As for APIs, we obtained a new Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for losartan and rivaroxaban.

In 2022, we again devoted special attention to our well-established products and their evaluation, complementing and adjusting them to the latest scientific findings and regulatory and marketing requirements. We submitted marketing authorisation documents and received approvals for more than 28,000 regulatory variations, which facilitates quality assurance and fosters the uninterrupted supply with our products to all markets.

Moreover, we filed 14 patent applications for new technological solutions that we consider inventive on the global scale. Based on priority applications from 2021 we submitted 9 international patent applications. We were granted 3 patents in different countries. Over 200 valid patents protect Krka's technological solutions.

We filed 79 applications for Krka trademarks in Slovenia. We also filed 43 international and 10 national applications for trademarks. More than 1,100 Krka trademarks are registered in different countries.

Investments

In 2022, the Krka Group allocated €106 million to investments, of which the controlling company invested €79.5 million.

The following major investment projects were completed in 2022:

- Several highly automated and robotised packaging lines were installed in our state-of-the-art plant for the production of solid dosage forms Notol 2 (Novo mesto, Slovenia), thus completing its technological equipment. Its full capacity is 5 billion manufactured and 8 billion packaged tablets per year. The most recent investment amounted to €39.2 million, with the total value of investments in being €259 million.
- We finished several investments to upgrade the capacities for research, development and analyses in our development-and-control laboratories. They totalled €8.3 million.

The following major investments are ongoing:

- We have dedicated €26 million for additional capacities in the Solid Dosage Form Products plant (Novo mesto, Slovenia), which will be completed this year.
- We are doubling the production capacity for animal health products, and ensuring the long-term production of higher volumes of sterile products. The investment is estimated at €29 million.
- We are constructing a multi-purpose building in Novo mesto (Slovenia) to house our extended microbiology laboratory and additional spaces for several organisational units. The investment is estimated at €19.3 million.
- New facilities for API development and production are planned in Krško (Slovenia). Based on project documentation and an IED OVD environmental impact assessment, we had obtained the integral building permit for the Sinteza 2 plant and laboratories for chemical analyses (Slovene: Kemijsko-analitski center). The environmental permit has also been granted, and construction works are planned to start after the permit enters into force. The investment estimated at €163 million pursues our strategy of vertical integration from product development to production.
- The upgrade of production capacities at Ljutomer Plant (Slovenia) has continued, with the total investment value estimated at €16.4 million.
- Our production and distribution centre in Jastrebarsko (Croatia) is increasing production capacities for solid forms of animal health products. The investment is estimated at €3.5 million.
- Our joint venture Ningbo Krka Menovo from China has continued the acquisition of manufacturing and quality control equipment.

Employees

At the end of 2022, the Krka Group employed a team of 11,598, of whom 45% or 5,243 worked outside Slovenia. The Krka team includes 51% of employees with at least university-level qualifications, and 200 of those hold PhD. Including agency workers, the Krka Group employed a 12,592-strong team at the end of 2022, thus having 133 more staff than at the end of 2021.

Investor and Share Information

After surging more than 29% in 2021, the price of Krka's share dropped by 22% last year and ended the period at €92.00 (31 December 2022). Krka's shareholders received €5.63 per share for dividends, up 13% year-over-year. Considering the 2022 end-of-year share price, this makes for a dividend yield of over 6%.

At the end of the year, Krka had 47,170 shareholders, up 0.7% on the year-end of 2021. Krka's shareholding structure is stable and mainly goes without major changes, with 40.4% of shareholders being domestic retail investors and 20.9% international.

In 2022, Krka acquired 101,941 treasury shares. On 31 December 2022, Krka held 1,785,849 treasury shares, which is 5.446% of its share capital.

Sustainability

We are building a sustainability culture of and raising awareness of importance of sustainability for the Krka Group and our stakeholders. We have conducted a new materiality assessment of the key sustainability areas in the Krka Group, which include: Product quality and patient safety; Talent attraction and retention; Good leadership and



governance practices; Accessible healthcare; Planet and climate change; and Compliance, integrity and transparency.

At its meeting on 16 November 2022 the Krka Supervisory Board adopted the Krka Group ESG Policy and strategic goals for the most important sustainability areas. Krka's ESG Policy is a strategic document on sustainable governance, which sets out the fundamental principles of sustainable operations that the Krka Group pursues both in its business operations and in relations with stakeholders.

The adopted sustainability goals complement the Krka Group Development Strategy 2022–2026 in the area of sustainability, and upgrade our ESG policy. They outline concrete strategic directions and key performance indicators (KPI) for goals in individual key sustainability areas.

The ESG Policy and a summary of strategic goals are posted on the Krka website. In 2023 we plan to obtain an ESG rating.