

PRESS RELEASE

Novo mesto, 29 July 2021

Krka Reports on 2021 Semi-Annual Business Results

In the first half of 2021, the Krka Group total revenue amounted to €808.6 million, a 1% increase compared to the same period last year, yielding €177.4 million of net profit, up 11% year on year. The Supervisory Board of Krka discussed the 2021 semi-annual business report for the Krka Group and Company at their regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič declared: 'In the first half of 2021, the Krka Group performed successfully and in accordance with expectations. We recorded the highest semi-annual sales total and net profit since Krka was founded. Our profitability remained high. In the first half of the year, we obtained marketing authorisations for six new products. The pandemic still impacts marketing activities. It also had an impact on lower sales of certain products, for example antibiotics, and seasonal non-prescription products. In order to prevent COVID-19 from spreading and protect our employees, Krka has been working with health care providers since mid-May and organises vaccination for all interested employees at company premises. We continue to provide for uninterrupted supplies of all our products and pursue set goals. I am happy to announce that the Supervisory Board on its meeting yesterday discussed my proposal for remaining members of the Management Board and unanimously appointed Aleš Rotar, PhD, Vinko Zupančič, PhD, and David Bratož as Management Board members also for the next term in office. Krka has had excellent business results during the current term in office of the Management Board. In the next term in office and in the same composition of the board, we will continue to lead Krka on the path of an innovative generic pharmaceutical company that pursues financial and sustainable goals for the benefit of all stakeholders.'

Financial Highlights

	Krka Group			Company		
	Jan–June 2021	Jan–June 2020	Index	Jan–June 2021	Jan–June 2020	Index
€ thousand						
Revenue	808,585	803,753	101	711,771	783,100	91
– Of that revenue from contracts with customers on products and services	806,546	801,847	101	631,970	651,451	97
Gross profit	460,744	485,444	95	403,534	448,608	90
Earnings before interest, tax, depreciation and amortisation (EBITDA)	255,030	272,925	93	208,650	250,376	83
Operating profit (EBIT)	200,505	216,688	93	165,980	208,563	80
Profit before tax (EBT)	207,251	190,275	109	178,114	183,647	97
Net profit	177,426	160,260	111	154,586	155,512	99
R&D expenses	75,581	73,846	102	73,675	74,260	99
Investments	29,503	31,270	94	22,503	20,733	109

Performance Ratios

	Krka Group		Company	
	Jan–June 2021	Jan–June 2020	Jan–June 2021	Jan–June 2020
Gross profit margin	57.0%	60.4%	56.7%	57.3%
EBITDA margin	31.5%	34.0%	29.3%	32.0%
EBIT margin	24.8%	27.0%	23.3%	26.6%
EBT margin	25.6%	23.7%	25.0%	23.5%

Net profit margin (ROS)	21.9%	19.9%	21.7%	19.9%
Return on equity (ROE)	19.3%	18.5%	16.6%	17.9%
Return on assets (ROA)	15.2%	14.3%	13.5%	14.1%
Liabilities/Equity	0.256	0.293	0.215	0.263
R&D expenses/Revenue	9.3%	9.2%	10.4%	9.5%

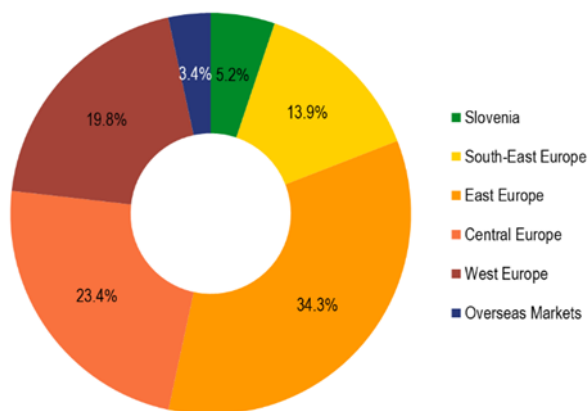
We generated operating profit of €200.5 million, down 7% on the same period last year. We created a positive net financial result of €6.7 million owing to favourable currency fluctuations. The Krka Group recorded net profit of €177.4 million, an 11% rise on the same period last year.

Sales

In the first half of 2021, the Krka Group generated total revenue of €808.6 million, a 1% year-on-year rise. Of that, revenue from contracts with customers on sales of products and services amounted to €806.5 million, while other sales revenue constituted the difference.

Product and Service Sales by Region

€ thousand	Krka Group		
	Jan–June 2021	Jan–June 2020	Index
Region Slovenia	41,772	38,347	109
Region South-East Europe	112,266	103,534	108
Region East Europe	276,523	271,688	102
Region Central Europe	188,903	182,675	103
Region West Europe	159,622	181,572	88
Region Overseas Markets	27,460	24,031	114
Total	806,546	801,847	101



Generating €276.5 million or 34.3% of total sales, Region East Europe was the largest region of the Krka Group in terms of sales. Year on year, sales grew by 2%. In the Russian Federation, product sales reached €168.2 million, down 7% year on year, while sales denominated in the national currency climbed by 10%. In Ukraine, we generated €46.2 million in product sales, 25% more than in the same period last year. We recorded sales growth also in most other regional markets.

Region Central Europe, comprising the Visegrad Group and the Baltic states, followed. Regional sales amounted to **€188.9 million, a 3% year-on-year**

upturn, accounting for 23.4% of total Krka Group sales. Poland remained the leading regional market. It recorded product sales of €87.6 million, a 2% year-on-year rise. Sales denominated in the Polish zloty grew by 5%. We also recorded growth in all other regional markets except in Lithuania and Estonia.

Our third largest region, Region West Europe, recorded sales total of €159.6 million or 19.8% of total Krka Group sales. Year on year, sales presented a 12% drop. This was primarily due to the fact that certain tender sales expired. We increased sales in the United Kingdom, France, Ireland, and Austria. Sales were the strongest in Germany and France.

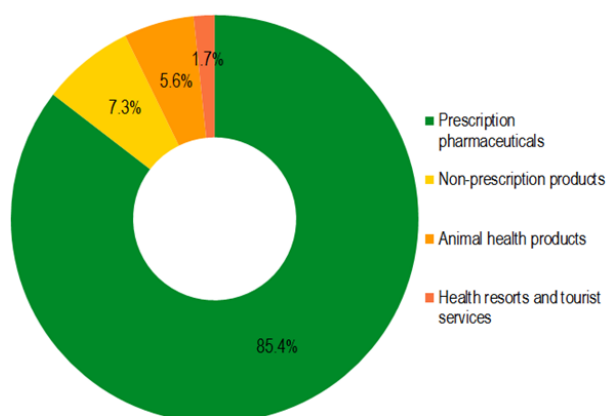
Region South-East Europe accounted for 13.9% of total Krka Group sales totalling €112.3 million, 8% higher than in the same period last year. Romania and Croatia contributed most substantially to sales growth, which was recorded in all regional markets. Sales growth in absolute terms was the highest in Bulgaria, Romania, North Macedonia, and Serbia.

Region Slovenia recorded sales of €41.8 million, accounting for 5.2% of total Krka Group sales. Product sales of €28.4 million constituted the major part of regional sales. Health resorts and tourist services yielded €13.3 million, up 33% on the same period last year.

Region Overseas Markets generated product sales of €27.5 million, or 14% more than in the same period a year ago. The region accounted for a 3.4% share in total Krka Group sales.

Product and Service Sales by Category

€ thousand	Krka Group		
	Jan–June 2021	Jan–June 2020	Index
Human health medicines	748,246	753,174	99
– Prescription pharmaceuticals	689,129	691,680	100
– Non-prescription products	59,117	61,494	96
Animal health products	44,960	38,680	116
Health resorts and tourist services	13,340	9,993	133
Total	806,546	801,847	101



Prescription pharmaceuticals accounted for 85.4% of total Krka Group sales. **Sales of prescription pharmaceuticals totalled €689.1 million and remained at a same level as last year.** We increased sales in all our regions except in Region West Europe, where we recorded a 17% drop. Sales increases were as follows:

- Region Overseas Markets 15%;
- Region South-East Europe 10%;
- Region Slovenia 5%;
- Region Central Europe 4%; and
- Region East Europe 2%.

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, Roxiper, Roxampex);
- losartan (Lorista, Lorista H, Lorista HD, Tenloris);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza);
- rosuvastatin (Roswera, Co-Roswera);
- esomeprazole (Emanera);
- candesartan (Karbisi, Karbicombi, Kandoset);
- enalapril (Enap, Enap H, Enap HL, Elernap); and
- tramadol (Doreta, Tadol).

The pharmaceuticals stated above are marketed under different brand names in individual markets.

Year-on-year sales of non-prescription products declined by 4% and generated €59.1 million (7.3% of total sales). Sales of animal health products grew by 16% and amounted to €45 million (5.6% of total sales). Terme Krka generated €13.3 million from sales of services, or 33% more than in the same period last year.

Research and Development

We plan to obtain marketing authorisations for 16 new products in 2021. Additional development activities further ensure higher quality and safety of the established products.

In the first half of 2021, we added six new products to our product portfolio. We obtained marketing authorisations for our prescription pharmaceuticals Vimetso or Vildakombi (vildagliptin/metformin), a fixed-dose



combination for the treatment of diabetes; Abirateron Krka (abiraterone) and Sunitinib Krka (sunitinib), two new oncology medicines; Apeneta or Adoben (tapentadol) from our range of analgesics; and a new pharmaceutical form of Hiconcil (amoxicillin) from our range of antibiotics. Of animal health products, we obtained marketing authorisations for a fixed-dose combination Cladaxxa or Twinox (amoxicillin/clavulanic acid) from our antibiotic range.

We obtained 440 new marketing authorisations in various countries under different registration procedures for our established products from all product categories. R&D expenses totalled €75.6 million, accounting for 9.3% of revenue and 2% year-on-year growth.

Investments

In the first midterm, the Krka Group allocated €29.5 million to investments, roughly the same as in the first half of 2020. We primarily invested in development, increasing production capacities and technological upgrades, quality assurance, and our own production-and-distribution centres across the world. We plan to allocate €73 million to investments this year. This is slightly below the initial plans, but similar to the 2020 investment amount.

We have been acquiring new technological equipment because of the growing demand for new production capacities at our largest production plant, Notol 2 in Ločna, Novo mesto, Slovenia. We started equipping a new packaging facility in 2019, and continue setting it up. We installed highly automated and robotised packaging lines. The investment is estimated at €41 million. In the first half of 2021, we allocated €6.5 million for it. Once the Notol 2 plant is technologically equipped, we will be able to manufacture 5 billion and package 8 billion tablets per year.

We plan to build new facilities for the development and production of APIs in Krško, Slovenia. Project documentation has been prepared. We are in the process of obtaining the required consent to build the Sinteza 2 production plant and laboratories for chemical analyses (Kemijsko-analitski center in Slovene). We also plan to build other small facilities for technology and infrastructure required for an uninterrupted production process. The investment is estimated at €163 million. It agrees with our strategy of vertical integration, from the development of a product to its production.

We are investing €26 million in additional capacities for compression mixture preparation and granulation in the tableting process, and in logistic capacities in the Solid Dosage Form Production Plant.

We are also investing a total of €8.2 million in our development-and-research facilities.

The Krka-Rus plant in the Istra industrial zone in north-west Moscow is one of the key investments in Krka subsidiaries abroad. The factory manufactures 75% of products intended for the Russian market giving us the status of a domestic producer in the Russian Federation. In the next few years, we plan to further increase its production and laboratory capacities. The estimated investment total is €35 million, of which we intend to invest €9 million this year.

Employees

At the end of June 2021, the Krka Group had 11,607 employees, of whom 5,367 worked abroad, accounting for a good 46% of the total Krka Group headcount. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 207 hold a doctoral degree. Together with agency workers, the Krka Group had 12,524 employees on payroll.

We grant scholarships to ensure continuous recruitment of new talented employees. At the end of June, we listed 111 scholarship holders, primarily pharmacy and chemistry students. We also award grants to students from other fields of interest to Krka. At the end of June, 241 employees were enrolled in part-time graduate studies co-funded by Krka, 40 of them in postgraduate studies.

Share and Investor Information

As at 30 June 2021, the Krka share traded at €103.5 on the Ljubljana Stock Exchange, up 13.2% on year-end 2020. Market capitalisation of Krka amounted to €3.4 billion.

At the end of June, Krka had 47,129 shareholders. In the first half of 2021, holdings of Slovenian retail investors, legal entities and institutional investors, and treasury shares slightly increased. Holdings of foreign investors declined by 0.7 percentage points.

In the first half of 2021, Krka acquired 72,548 treasury shares. As at 30 June 2021, Krka held 1,614,322 treasury shares, accounting for 4.923% of share capital.

Appointment of the Management Board for the next 6-year term in office

According to the Krka's Articles of Association, the Management Board comprises of four members and a Worker Director. The 6-year term in office of the Management Board members and the Worker Director expires on 31 December 2021. The Supervisory Board of the company has appointed Jože Colarič the President of the Management Board and Chief Executive for the next 6-year term in office on its meeting on 27 January 2021. It also instructed him that he prepares the proposal for appointment of other Management Board members.

The Supervisory Board discussed and accepted the proposal of the President of the Management Board on its meeting yesterday. It unanimously appointed Aleš Rotar, PhD, Vinko Zupančič, PhD, and David Bratož as Management Board members also for the next term in office from 1 January 2022 to 31 December 2027.

The Supervisory Board will discuss the proposal by the Works Council for the Worker Director – Management Board member on its next regular meeting on 17 November 2021.