

PRESS RELEASE

Novo mesto, 18 November 2021

Krka Reports January to September 2021 Business Results

In the first nine months of 2021, the Krka Group revenue amounted to €1,176.6 million, a 1% increase compared to the same period last year, yielding €240.1 million of net profit, up 14% year on year. The Supervisory Board of Krka discussed the January to September 2021 interim reports for the Krka Group and Krka at their regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič declared: *'In the first nine months of 2021, the Krka Group performed successfully and in accordance with expectations. We recorded the highest sales and net profit in the first nine months since incorporation. We maintained profitability at a high level and obtained marketing authorisations for 11 new products. We presented the updated 2022–2026 Development Strategy of the Krka Group and the ensuing 2022 business plan to the Supervisory Board. Our priorities remain to ensure sales growth, achieve higher-than-average sales growth in terms of market dynamics, and place among the leading branded generic pharmaceutical companies on individual markets and in selected therapeutic classes. We plan to strengthen and optimise the vertically integrated business model. It has proven to be an effective strategic guideline and a comparative advantage, as it allows us to manufacture products that meet high quality, safety, and efficacy standards. We plan to ensure growth through long-term business partnerships and targeted acquisitions in order to increase sales by extending our product portfolio and market range. We intend to upgrade the Krka Group's sustainability culture, further integrate sustainability aspects in corporate governance and business decisions, and maintain economic, social and environmental responsibility in all environments where we operate.'*

Financial Highlights

€ thousand	Krka Group			Company		
	Jan–Sept 2021	Jan–Sept 2020	Index	Jan–Sept 2021	Jan–Sept 2020	Index
Revenue	1,176,552	1,160,179	101	1,047,144	1,112,896	94
– Of that revenue from contracts with customers (products and services)	1,173,292	1,156,565	101	917,894	933,725	98
Gross profit	664,702	701,558	95	585,979	638,107	92
EBITDA	352,690	384,555	92	290,815	343,873	85
EBIT	271,269	300,755	90	227,211	281,201	81
EBT	280,107	250,241	112	241,413	232,957	104
Net profit	240,100	210,145	114	209,523	197,268	106
R&D expenses	113,043	112,067	101	110,373	110,986	99
Investments	45,320	53,831	84	34,814	39,895	87

Performance Ratios

	Krka Group		Company	
	Jan–Sept 2021	Jan–Sept 2020	Jan–Sept 2021	Jan–Sept 2020
Gross profit margin	56.5%	60.5%	56.0%	57.3%
EBITDA margin	30.0%	33.1%	27.8%	30.9%
EBIT margin	23.1%	25.9%	21.7%	25.3%
EBT margin	23.8%	21.6%	23.1%	20.9%
Net profit margin (ROS)	20.4%	18.1%	20.0%	17.7%
Return on equity (ROE)	17.8%	16.7%	15.4%	15.6%
Return on assets (ROA)	14.0%	12.9%	12.5%	12.3%
Liabilities/Equity	0.267	0.289	0.224	0.255
R&D expenses/Revenue	9.6%	9.7%	10.5%	10.0%

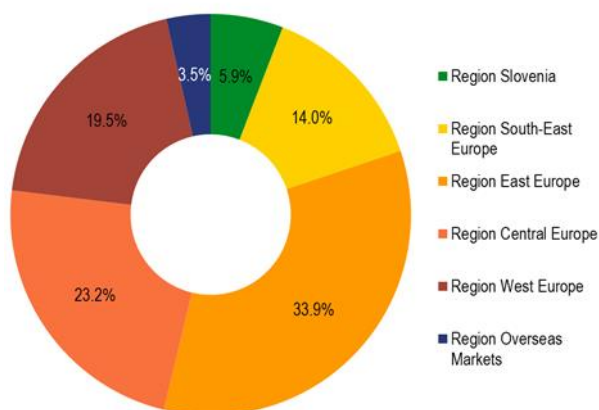
We delivered €352.7 million EBITDA, or a 30% EBITDA margin respectively. EBIT amounted to €271.3 million, a 10% year-on-year drop. The Krka Group recorded net profit of €240.1 million, a 14% rise on the same period last year.

Sales

In the first nine months of 2021, the Krka Group generated revenue in total of €1,176.6 million, a 1% year-on-year rise. Of that, revenue from contracts with customers on sales of products and services amounted to €1,173.3 million, while other sales revenue constituted the difference. We increased sales in all regions and in most of key markets, except in Region West Europe. Sales volume went up by 3%.

Product and Service Sales by Region

€ thousand	Krka Group		
	Jan–Sept 2021	Jan–Sept 2020	Index
Region Slovenia	68,805	64,554	107
Region South-East Europe	164,166	151,813	108
Region East Europe	397,749	377,183	105
Region Central Europe	271,858	262,003	104
Region West Europe	228,956	263,030	87
Region Overseas Markets	41,758	37,982	110
Total	1,173,292	1,156,565	101



Generating €397.7 million or 33.9% of total sales, Region East Europe was the largest region in terms of sales of the Krka Group. Year on year, sales grew by 5%. Product sales in the Russian Federation reached €240 million, approximately the same as in the same period last year, while sales in local currency climbed by 14%. In Ukraine, product sales reached €69.7 million, up 17% on the same period last year. We also recorded sales growth in all other regional markets, except in two small ones.

Region Central Europe, comprising the Visegrad Group and the Baltic states, was our second largest region. **Regional sales amounted to €271.9 million, a 4% year-on-year upturn, accounting for 23.2% of**

total Krka Group sales. Poland remained the leading regional market. Product sales totalled €126.2 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 Estonia.

Our third largest region, Region West Europe, recorded sales total of €229 million or 19.5% of total Krka Group sales. Year on year, sales decreased by 13%. Lower sales were recorded due to fewer product launches, use of medicines decreased due the COVID-19 pandemic, and especially in the northern countries of Region West Europe price pressures increased. We increased sales in the United Kingdom, France, Ireland, Austria, and Benelux. Sales were the strongest in Germany and France.

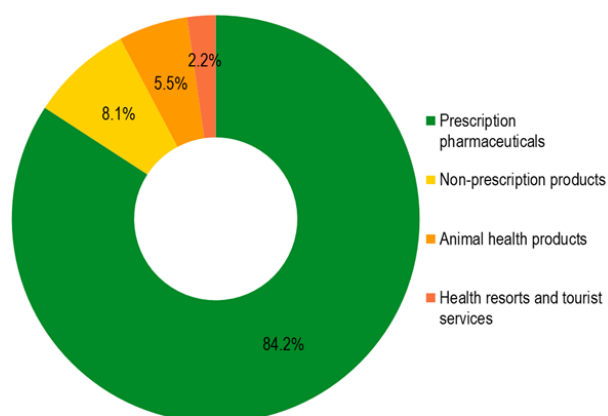
Region South-East Europe accounted for 14% of total Krka Group sales, totalling €164.2 million, 8% higher than in the same period last year. Romania and Croatia contributed most substantially to sales growth, which was recorded in all regional markets. Sales growth in absolute terms was the highest in Bulgaria, Romania, North Macedonia, and Serbia.

Region Slovenia recorded sales of €68.8 million, accounting for 5.9% of total Krka Group sales. The major portion of €42.4 million was generated by 1% higher product sales. Health resorts and tourist services yielded €26.4 million, up 18% on the same period last year.

Region Overseas Markets generated product sales of €41.8 million, or 10% more than in the same period a year ago. The region accounted for a 3.5% share in total Krka Group sales.

Sales by Product and Service Group

€ thousand	Krka Group		
	Jan–Sept 2021	Jan–Sept 2020	Index
Human health	1,082,344	1,078,414	100
– Prescription pharmaceuticals	987,685	990,864	100
– Non-prescription products	94,659	87,550	108
Animal health products	64,579	55,819	116
Health resorts and tourist services	26,369	22,332	118
Total	1,173,292	1,156,565	101



Prescription pharmaceuticals accounted for 84.2% of total Krka Group sales. **Sales of prescription pharmaceuticals totalled €987.7 million and remained at the same level as last year.** Regions presented sales increases as follows:

- Region Overseas Markets 12%;
- Region South-East Europe 10%;
- Region Central Europe 4%;
- Region East Europe 4%;
- Region Slovenia 1%.

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);
- enalapril (Enap, Enap H, Enap HL, Elernap);
- candesartan (Kabis, Karbicombi, Kandoset); 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 advanced by 8%, generating €94.7 million (8.1% of total sales). Sales of animal health products grew by 16% and amounted to €64.6 million (5.5% of total sales). Terme Krka generated sales of services of €26.4 million, or 18% more than in the same period last year.

Research and Development

We plan to obtain marketing authorisations for 16 new products in 2021. We intend to provide for even higher quality and safety of the established products by undertaking additional development activities.

We added 11 new products to our product portfolio from January to September 2021. We obtained marketing authorisations for several prescription pharmaceuticals:

- An antithrombotic agent Aboxoma, also marketed as Abidalo (apixaban);
- A perindopril-based medicine Prenessa, in markets also available as Prenessa Neo, Prenessa As, Neoprenessa, Arprenessa, or Perineva (perindopril/arginine);
- Two cardiovascular agents, atorvastatin and rosuvastatin tablets, in China;
- A fixed-dose combination for the treatment of diabetes, Vimetso, marketed also as Vildakombi (vildagliptin/metformin);
- Two oncology agents Abiraterone Krka (abiraterone) and Sunitinib Krka (sunitinib);



- An analgesic Apeneta, marketed also as Adoben (tapentadol); and
- An antibiotic Hiconcil (amoxicillin) in a new pharmaceutical form.

Of animal health products, we obtained marketing authorisations for a fixed-dose combination Cladaxxa, marketed also as Twinox, (amoxicillin/clavulanic acid) from our antibiotic range, and a new formulation of a fixed-dose combination Milprazon (milbemycin/praziquantel) for dogs, also marketed as Amcofen, Mektix, or Milgusto.

We obtained 790 new marketing authorisations in several countries under different registration procedures for our established products from all product categories. Research and development expenses totalled €113 million, accounting for 9.6% of revenue and 1% year-on-year growth.

Investments

The Krka Group allocated €45.3 million to investments in the first nine months of 2021, which was less than in the same period last year. Our investments were used for increasing and technologically upgrading production facilities and capacities for development and quality management. We also invested in our own production and distribution centres around the world.

We have been acquiring new technological equipment for our top-notch production plant, Notol 2 in Ločna, Novo mesto, Slovenia to meet the growing demand for additional production capacities. The investment was estimated at €41 million. In the first nine months of 2021, we allocated €7.9 million for it. Once the Notol 2 plant is technologically equipped, we will be able to manufacture 5 billion and package 8 billion tablets and other dosage forms per year.

We plan to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. We have prepared the project documentation and are in the process of obtaining the required permits to build the Sinteza 2 production plant for manufacturing active pharmaceutical ingredients and centre for chemical analyses. The investment was estimated at €163 million. It is aligned 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 tablet pressing 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 September 2021, the Krka Group employed 11,470 persons, of whom 5,271 worked abroad, constituting 46% of the total Krka Group headcount. The proportion of the Krka Group employees with at least university-level qualifications was 51%, of that 204 employees held doctoral degrees. Together with agency workers, the Krka Group had 12,410 employees.

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of September, we listed 106 scholarship holders, primarily pharmacy and chemistry students. We also award grants to students from other fields of interest to Krka. At the end of September, 184 employees were enrolled in part-time graduate studies co-funded by Krka, 49 of them in postgraduate studies.

Share and Investor Information

As at 30 September 2021, the Krka share traded at €111.50 on the Ljubljana Stock Exchange, up 22% on year-end 2020. Market capitalisation of Krka amounted to €3.7 billion.

At the end of September, Krka had a total of 46,960 shareholders. Since the beginning of the year, holdings of Slovenian retail investors, legal entities and institutional investors, and treasury shares increased, while holdings of foreign investors declined by 0.8 percentage points.

In the first nine months of 2021, Krka acquired 99,995 treasury shares. As at 30 September 2021, Krka held 1,641,769 treasury shares, accounting for 5.006% of share capital.

2021 Krka Group Performance Estimate

Annual sales of products and services are in line with the plan and are estimated at €1,535 million. Average annual sales growth over the five-year period is expected to reach 5.5%. Sales outside Slovenia are expected to account for 94% of total sales.

We expect Region East Europe to be our largest sales region, and the Russian Federation to remain our largest individual market. Other regions are projected to follow in this order:

- Region Central Europe with our second largest individual market Poland;
- Region West Europe with our third largest individual market Germany;
- Region South-East Europe;
- Region Slovenia; and
- Region Overseas Markets.

Prescription pharmaceuticals are expected to remain the most important product group, accounting for an 85% share of total sales.

According to our estimates, net profit will be €35 million higher than planned, amounting to approximately €300 million.

We estimate we will have allocated €73 million to investments in our in-house development, production, and infrastructure facilities. The figure is below the initial plan due to restrictions imposed by the state to curb the COVID-19 pandemic. Despite this, all investments included in our business plan are currently in progress.

At the end of 2021, the Krka Group is expected to have 11,800 regular employees on payroll, of that a good 46% abroad.

Krka Group 2022 Business Plan

The *2022 Business Plan* has been prepared in conformity with the updated *2022–2026 Development Strategy of the Krka Group*, which was approved by the Management Board at their November meeting and presented to the Supervisory Board of the Krka Group.

We estimate sales of products and services at €1,610 million, a 5% rise compared to the 2021 sales estimate. Sales outside Slovenia are projected to account for 94% of total sales.

Prescription pharmaceuticals remain the most important product group with 84% of total sales.

We plan net profit at approximately €300 million. Average annual growth of net profit over the five-year period is projected to reach 14.5%.

The total number of employees in Slovenia and abroad is projected to grow by 2%.

We plan to allocate €130 million to investments, primarily to expand and technologically modernise production and development facilities and infrastructure.

The *2022 Business Plan* has been based on expectations, estimates, forecasts, and other available data. The Management Board believe the projections are reasonable. In the event of any major changes in the Krka Group's business environment, e.g. price erosion, rising prices of raw materials, unfavourable FX movements, and decreased demand for pharmaceutical products, the actual operating results could deviate from the plan.

Key strategic objectives up to 2026

- To attain at least 5% average annual sales growth in terms of volume/value and above-average sales growth in relation to market dynamics, and remain or rank among the leading branded generic pharmaceutical companies in individual markets and selected therapeutic classes.
- To strengthen and optimise the vertically integrated business model, proven to be an effective strategic guideline and a comparative advantage, and ensure high standards of product quality, safety, and efficacy.
- To keep focus on long-term profitability of products, from development and production to marketing and sales, including all other functions within the Krka Group, and achieve an average EBITDA margin of at least 25%.
- To ensure that new products and vertically integrated products account for the largest possible proportion in total sales in addition to the existing range of products, also referred to as 'the golden standard'. To enter new therapeutic classes and specialities as an innovative generic company, and develop complex products, including biosimilars.
- In addition to organic growth, to ensure growth through long-term business partnerships and targeted acquisitions. The primary goal is to increase sales by adding markets and products.
- To allocate 10% of revenue to research and development, and approximately the calculated depreciation and amortisation amount to investments, i.e. on average €110 million annually.
- To pursue a stable dividend policy and when determining net profit share for annual dividend payments consider the Group's requirements for financing investments and acquisitions, and allocate at least 50% of net profit of the majority shareholders for dividends.
- To upgrade the Krka Group culture of sustainability, consider its aspects in corporate governance and business decisions, and maintain economic, social and environmental responsibility in all environments where we operate. To disclose sustainability topics in accordance with the GRI standards in 2022 and achieve an ESG rating in 2023.
- To exploit digitalisation potentials in all business phases.
- To maintain independence.

Appointment of Worker Director to the Management Board for another six-year term

On the proposal of the Works Council of Krka, the Supervisory Board appointed the current Management Board member – Worker Director Milena Kastelic to the Management Board for the next term of office from 1 January 2022 to 31 December 2027. Thereby, the composition of the Management Board for the said term has been completed and remained the same: President of the Management Board and Chief Executive Jože Colarič, Management Board members Aleš Rotar, David Bratož and Vinko Zupančič, and Management Board member – Worker Director – Milena Kastelic.