

## PRESS RELEASE

### Krka Reports First Quarter 2022 Business Results

Novo mesto, 19 May 2022

In the first quarter of 2022, the Krka Group generated revenue in total of €432.5 million, up 9% on the first quarter last year, yielding €90.7 million of net profit, a 5% year-on-year increase. The Supervisory Board of Krka discussed the Q1 2022 Business Report for the Krka Group and Krka at its regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič explained: *'In the first quarter of 2022, the Krka Group performed successfully despite the challenging situation and recorded a 9% increase in sales. Sales increased in all six sales regions, most key markets, and by all product and service groups. We maintained high profitability of operations and achieved the record net profit in the first quarter. We closely follow the situation in Ukraine and go to great lengths to protect safety of our employees and supply our medicines to the country without interruptions. We donated medicines to Ukraine for humanitarian relief. We were one of the first medicine providers that re-established logistic routes throughout the distribution chain in the country. We also provide for uninterrupted supplies of medicines in the Russian Federation. Obtaining marketing authorisations for our products, production, sales, distribution, and payments continue smoothly, while transport takes a little longer. The situation in the region requires constant adaptation in different areas of our business. In these circumstances, it is difficult to assess the course of future events and their impact on Krka's annual operations, but the results of the first quarter are encouraging. Krka maintains a strong capital structure and we generate stable cash flows. The Management and Supervisory Boards have therefore proposed to pay €5.63 gross per share for 2021 dividends, up 12.6%, to further pursue the stable dividend growth policy.'*

### Financial Highlights

€ thousand	Krka Group			Krka		
	Jan-Mar 2022	Jan-Mar 2021	Index	Jan-Mar 2022	Jan-Mar 2021	Index
Revenue	432,468	395,797	109	408,840	357,257	114
– Of that revenue from contracts with customers (products and services)	430,648	394,523	109	357,348	307,264	116
Gross profit	249,916	228,022	110	234,615	208,794	112
EBITDA	133,582	123,580	108	124,474	108,411	115
EBIT	107,299	96,260	111	104,022	87,049	119
EBT	105,623	101,147	104	102,893	91,595	112
Net profit	90,716	86,355	105	88,231	79,495	111
Effective tax rate	14.1%	14.6%		14.2%	13.2%	
R&D expenses	41,825	39,091	107	41,758	38,704	108
Investments	22,709	9,779	232	14,785	7,902	187

### Performance Ratios

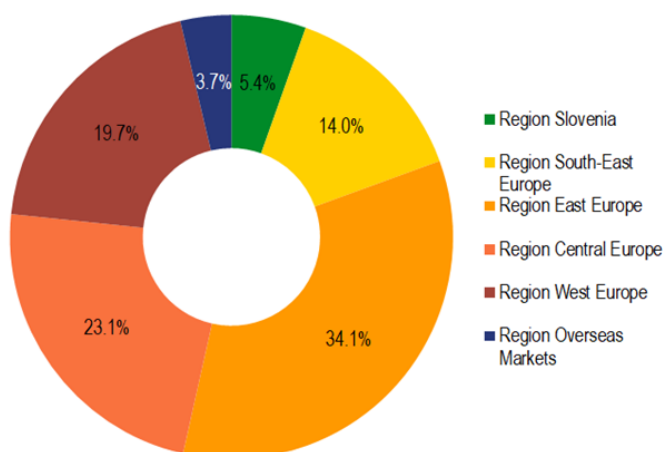
	Krka Group		Krka	
	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021
Gross profit margin	57.8%	57.6%	57.4%	58.4%
EBITDA margin	30.9%	31.2%	30.4%	30.3%
EBIT margin	24.8%	24.3%	25.4%	24.4%
EBT margin	24.4%	25.6%	25.2%	25.6%
Net profit margin (ROS)	21.0%	21.8%	21.6%	22.3%
Return on equity (ROE)	18.5%	19.2%	18.4%	17.4%
Return on assets (ROA)	14.0%	15.1%	14.2%	14.2%
Liabilities/Equity	0.321	0.263	0.289	0.220
R&D expenses/Revenue	9.7%	9.9%	10.2%	10.8%

## Sales

In the first quarter of 2022, the Krka Group generated revenue in total of €432.5 million, a 9% year-on-year rise. Of that, revenue from contracts with customers (sales of products and services) amounted to €430.6 million, while other sales revenue constituted the difference. Sales increased in all sales regions, most key markets, and by all product and service groups. Sales volume increased by 8%.

### Product and Service Sales by Region

€ thousand	Krka Group		
	Jan–Mar 2022	Jan–Mar 2021	Index
Region Slovenia	23,432	18,270	128
Region South-East Europe	60,310	53,276	113
Region East Europe	146,700	132,122	111
Region Central Europe	99,620	97,805	102
Region West Europe	84,595	80,535	105
Region Overseas Markets	15,991	12,515	128
<b>Total</b>	<b>430,648</b>	<b>394,523</b>	<b>109</b>



Generating €146.7 million or 34.1% of total sales, Region East Europe was the largest sales region of the Krka Group. Year-on-year sales grew by 11%. We generated product sales in total of €83.6 million in the Russian Federation, up 5% year on year, while the sales volume increased by 10%. In Ukraine, product sales reached €26.5 million, up 21% on the same period last year. We recorded sales growth on most regional markets, and the highest relative growth in Kazakhstan and Moldova.

Region Central Europe, comprising the Visegrad Group and the Baltic states, was our second largest region. Regional sales amounted to €99.6 million, a 2% year-on-year increase, accounting for 23.1% of total Krka Group sales.

Poland remained the leading regional market, where we recorded product sales of €46 million, down 3%, but a 2% increase in terms of sales volume year on year. We achieved sales growth in all regional markets, except in Poland and Slovakia.

Our third largest region, Region West Europe, recorded sales total of €84.6 million or 19.7% of total Krka Group sales. Year-on-year sales grew by 5%. Germany, the Scandinavian countries, France, and Italy led in terms of sales. German product sales reached €23.2 million, up 3% year on year.

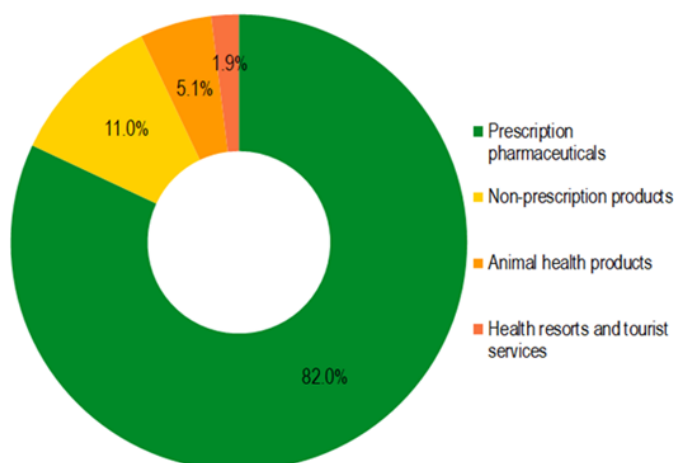
Region South-East Europe accounted for 14% of total Krka Group sales, generating product sales of €60.3 million, a 13% year-on-year increase. Romania and Croatia recorded highest sales, but we recorded sales growth in all regional markets. Absolute sales growth was the highest in Romania, Croatia, and Bulgaria.

Region Slovenia recorded sales of €23.4 million, accounting for 5.4% of total Krka Group sales. We earned most by product sales that increased by 12%, and totalled €15.1 million. Health resorts and tourist services yielded sales total of €8.4 million, a 72% year-on-year climb.

Region Overseas Markets generated product sales of €16 million, or 28% more than in the same period a year ago. The region accounted for a 3.7% share in total Krka Group sales.

## Sales by Product and Service Group

€ thousand	Krka Group		
	Jan–Mar 2022	Jan–Mar 2021	Index
Human health	400,342	368,010	109
– Prescription pharmaceuticals	353,099	340,921	104
– Non-prescription products	47,243	27,089	174
Animal health products	21,930	21,656	101
Health resorts and tourist services	8,376	4,857	172
<b>Total</b>	<b>430,648</b>	<b>394,523</b>	<b>109</b>



Prescription pharmaceuticals constituted 82% of the Krka Group total sales and amounted to €353.1 million, up 4% on the first quarter last year. Year-on-year sales increases by regions were as follows:

- Region Overseas Markets 16%;
- Region Slovenia 12%;
- Region South-East Europe 11%;
- Region West Europe 5%; and
- Region East Europe 1%.

Year-on-year sales of non-prescription products advanced by 74%, generating €47.2 million (11% of total sales). Sales of animal health products grew by 1% and amounted to

€21.9 million (5.1% of total sales). Terme Krka service sales generated €8.4 million, or 72% more than in the same period last 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.

We added a single-pill combination of perindopril arginine and amlodipine to our product portfolio in the first quarter of 2022. We develop and produce perindopril arginine according to our vertically integrated business model and integrate it in perindopril-based cardiovascular agents. It is a result of our know-how and is manufactured in Krka-owned facilities. Managing all processes from development to marketing enables us to respond quickly and ensure ready availability of the perindopril-based products on markets. We obtained a new Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our losartan API.

We completed more than 30 registration procedures, obtaining more than 100 new marketing authorisations for various finished products. We continuously monitor, evaluate, and upgrade our established products, and bring them in line with the latest findings and requirements. We filed marketing authorisation documents for over 8,200 variations in the first quarter of 2022.

R&D expenses totalled €41.8 million, accounting for 9.7% of revenue and 7% year-on-year growth.

## Investments

In the first quarter of 2022, the Krka Group investments reached €22.7 million, of that €14.8 million in the controlling company.

Our major investments were as follows:

- The growing need for production capacities has incited us to acquire additional technological equipment for Noto 2, our plant for solid dosage form production. We installed several highly automated and robotised packaging lines. We plan to install the remaining two packaging lines by the end of May 2022. This will make the facility fully technologically equipped. Its full manufacturing capacity is expected to reach 5 billion tablets and capsules and 8 billion packagings per year. The investment amounted to €39 million.

- We intend to upgrade water supply systems and automated washing systems of the Notol plant in compliance with cGMP guidelines. The investment is estimated at €3.1 million. Also, we plan to renovate the format tool washing room, replace and overhaul the packaging lines in the same plant. The investment is estimated at €38.2 million.
- We are investing €26 million in additional tablet compression capacities, i.e. for compression mixture preparation and granulation, and in logistic capacities in the Solid Dosage Form Products department (Novo mesto, Slovenia).
- We finished several investments to upgrade and increase the capacities for research, development and analyses in our development-and-control laboratories. They totalled €8.2 million.
- As our production capacities increase, so do our energy demands. Investment in production capacities for compressed air and construction of new utility lines for energy supplies to manufacturing facilities are drawing to an end. We allocated €2.5 million for energy infrastructure extension at our Novo mesto production facility.
- At our Slovenian Beta Šentjernej Plant, we upgraded the systems and equipment in compliance with ATEX standards. We intend to install another mixer to increase the production capacity for the preparation of dry granules. The total value of investments is estimated at €2.6 million.
- We also plan to increase the production capacities for granulation and packaging of 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 is estimated at €16.4 million.
- New analytical techniques require extra facilities, which we intend to obtain by refurbishing rooms in our laboratories for development and control housed in buildings RKC1 and 3. Investing €1.8 million will ensure safe conditions for work with materials that contain highly active ingredients.
- We started preparation works in March for the construction of a multi-purpose replacement building called Paviljon 3 in Novo mesto (Slovenia). It will house an extension for our microbiology laboratory and additional rooms for several organisational units. Project documentation for this €19.3 million investment has been completed, and the construction permit obtained.
- We plan to build new facilities for developing and producing APIs in Krško, Slovenia. Based on project documents and environmental impact assessment, we have already obtained the building permit for Sinteza 2 and laboratories for chemical analyses (Kemijsko-analitski center in Slovene). We are still waiting for the IED OVD environmental protection permit. We expect construction to start in the second half of 2022. This project also includes construction of a highly efficient wastewater treatment plant for complete treatment of effluent. The investment was estimated at €163 million. It agrees with our strategy of vertical integration, from the development of a product to its production.
- The Krka-Rus plant in the industrial zone of Istra, a town north-west of 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. We are finishing our project of increasing production and laboratory capacities.
- We continue to purchase manufacturing and quality control equipment for our joint venture Ningbo Krka Menovo in China.

## Employees

At the end of March 2022, the Krka Group employed 11,631 people, up 1% on the 2021 year-end, of whom 5,378 worked abroad, constituting 46% of the total Krka Group headcount. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 209 hold a doctoral degree. Together with agency workers, the Krka Group employed 12,525 persons.

We grant scholarships to ensure continuous recruitment of new talented employees. At the end of March, we listed 93 scholarship holders, primarily pharmacy and chemistry students. We also award grants to students from other fields of interest to Krka. At the end of March, 159 employees were enrolled in part-time graduate studies co-funded by Krka, 41 of them in postgraduate studies.

## Share and Investor Information

As at 31 March 2022, the Krka share traded at €96.00 on the Ljubljana Stock Exchange, an 18.6% drop on year-end 2021. Market capitalisation of Krka amounted to €3.1 billion. At the end of March, Krka had a total of 46,898 shareholders. In the first quarter of 2022, we acquired 21,689 treasury shares. As at 31 March 2022, we owned 1,705,597 treasury shares, accounting for 5.201% of share capital.