

## PRESS RELEASE

### Krka Reports January to September 2022 Business Results

Novo mesto, 17 November 2022

In the nine months to September 2022, Krka Group revenue amounted to €1,242.2 million, up 6% year on year, resulting in €301.7 million of net profit, a 26% year-on-year increase. The Krka Supervisory Board discussed the January to September 2022 interim report for the Krka Group and Krka, d. d., at its regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič explained: ‘The Krka Group operating results in the first nine months of 2022 were good. Sales increased in all six sales regions, in most of our key markets, and in all product and service groups. Moreover, the recorded net profit is the highest in this period to date. The situation in eastern Europe remains unpredictable and demands we constantly adapt our business in several areas. However, the sales results are encouraging. We are estimating that the Krka Group will exceed the annual 2022 sales and net profit target, reporting €1,674 million of products and services sales, and realising a net profit of approximately €360 million. The EBITDA margin will exceed 25%. In addition, we have presented to the Supervisory Board our operating plan for next year; it anticipates sales in the amount of €1,755 million, and a net profit of around €300 million. The Management and Supervisory board have adopted the Krka Group Sustainability Policy and the key strategic goals for the most important sustainability areas, which clearly delineate Krka’s path of sustainable development.’

### Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–Sept 2022	Jan–Sept 2021	Index	Jan–Sept 2022	Jan–Sept 2021	Index
Revenue	1,242,203	1,176,552	106	1,208,697	1,047,144	115
– Of that revenue from contracts with customers (products and services)	1,236,531	1,173,292	105	1,028,274	917,894	112
Gross profit	681,132	664,702	102	702,430	585,979	120
Earnings before interest, tax, depreciation and amortisation (EBITDA)	314,192	352,690	89	361,710	290,815	124
Operating profit (EBIT)	233,784	271,269	86	300,082	227,211	132
Profit before tax (EBT)	356,189	280,107	127	423,026	241,413	175
Net profit	301,668	240,100	126	355,638	209,523	170
Effective tax rate	15.3%	14.3%		15.9%	13.2%	
R&D expenses	119,481	113,043	106	119,106	110,373	108
Investments	74,924	45,320	165	53,124	34,814	153

### Performance Ratios

	Krka Group		Krka	
	Jan–Sept 2022	Jan–Sept 2021	Jan–Sept 2022	Jan–Sept 2021
Gross profit margin	54.8%	56.5%	58.1%	56.0%
EBITDA margin <sup>1</sup>	25.3%	30.0%	29.9%	27.8%
EBIT margin <sup>1</sup>	18.8%	23.1%	24.8%	21.7%
EBT margin	28.7%	23.8%	35.0%	23.1%
Net profit margin (ROS)	24.3%	20.4%	29.4%	20.0%
Return on equity (ROE)	19.9%	17.8%	24.2%	15.4%
Return on assets (ROA)	15.3%	14.0%	19.1%	12.5%
Liabilities/Equity	0.282	0.267	0.243	0.224
R&D expenses/Revenue	9.6%	9.6%	9.9%	10.5%

<sup>1</sup> The significant appreciation of the Russian rouble in the 2022 half-year had pushed the euro value of inventories in Krka subsidiaries in the Russian Federation up considerably, which had a major impact on the Krka Group income statement as a temporary drop in the EBITDA and EBIT margins. The impact decreased in the third quarter of 2022 – in part due to lower inventories, and in part due to the rouble’s rate not strengthening further. This considerably improved the EBITDA and EBIT margins for the third quarter compared to the second quarter of 2022. They were now on par with the first quarter of 2022. The adjusted EBITDA and EBIT, which were included in the 2022 Semi Annual Report, are thus no longer being disclosed.

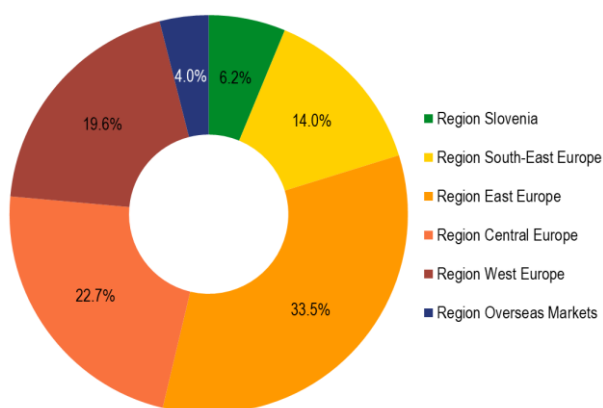
## Sales

The Krka Group revenue totalled €1,242.2 million in the nine months of 2022, of which revenue from contracts with customers on sales of products and services totalled €1,236.5 million. This is the best nine-month sales result in Krka's history. Overall sales grew by €65.7 million or 6% year on year.

Sales increased in all sales regions, most key markets, and all product and service groups. Sales volume increased by 3%.

### Product and Service Sales by Region

€ thousand	Krka Group		
	Jan–Sept 2022	Jan–Sept 2021	Index
Region Slovenia	77,200	68,805	112
Region South-East Europe	172,836	164,166	105
Region East Europe	414,147	397,749	104
Region Central Europe	280,887	271,858	103
Region West Europe	242,373	228,956	106
Region Overseas Markets	49,088	41,758	118
<b>Total</b>	<b>1,236,531</b>	<b>1,173,292</b>	<b>105</b>



The Group's largest region in terms of sales was Region East Europe, which represents 33.5% in the overall structure of sales. Product sales there totalled €414.1 million, up €16.4 million or 4% year on year. The situation in the region remains unpredictable and demands we constantly adapt our operations in various areas. Product sales in the Russian Federation, our largest individual market, totalled €251.3 million, a 5% year-on-year increase. In Ukraine, we sold €59.7 million worth of products, down 14% on the same period last year. In all other markets of eastern Europe and central Asia, except Kyrgyzstan, Krka's sales were up.

The second best result was recorded in Region Central Europe, which accounts for 22.7% of total Krka Group sales. Product sales there totalled €280.9 million, up €9 million or 3% year on year. In Poland, Krka's second largest individual market, product sales added up to €128.5 million, up 2% year on year. In the Czech Republic product sales advanced by 15% to €42.7 million. Sales growth was also recorded in all three Baltic markets.

With €242.4 million worth of sales recorded there, Region West Europe was the third largest region, accounting for 19.6% of Krka Group sales. Sales grew by €13.4 million or 6% year on year. In Germany, Krka's largest market in the region and the third largest individual market, product sales amounted to €64.3 million, up 9% year-on-year. Sales also increased in most other regional markets, the most in Scandinavia (16%), the Benelux (15%), and Portugal (15%).

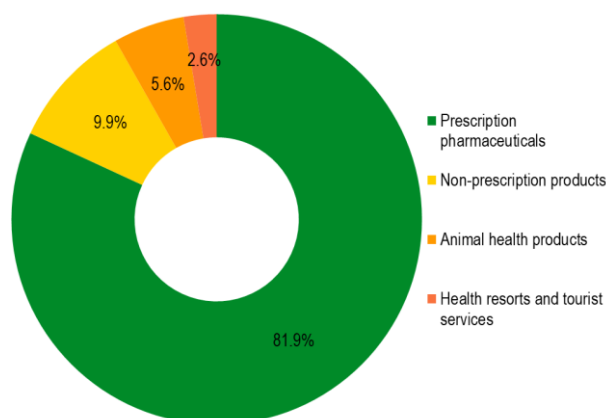
Region South-East Europe generated product sales of €172.8 million, constituting 14% of overall Group sales and an increase by €8.7 million or 5% year on year. Sales growth was recorded in all markets of the region, apart from Albania, a small market; the highest absolute sales growth was recorded in Croatia, Serbia and Romania.

In Region Slovenia the sales of products and services increased by 12% to €77.2 million. Product sales amounted to €45.2 million, up 7% year on year, with health resorts and tourist services sales totalling €32 million, a 21% year-on-year climb. Domestic market sales accounted for 6.2% of Krka Group sales.

In Region Overseas Markets product sales were €49.1 million, up 18%, constituting a 4% share of Krka Group sales.

## Sales by Product and Service Group

€ thousand	Krka Group		
	Jan–Sept 2022	Jan–Sept 2021	Index
Human health products	1,135,162	1,082,344	105
– Prescription pharmaceuticals	1,012,643	987,685	103
– Non-prescription products	122,519	94,659	129
Animal health products	69,382	64,579	107
Health resorts and tourist services	31,987	26,369	121
<b>Total</b>	<b>1,236,531</b>	<b>1,173,292</b>	<b>105</b>



Prescription pharmaceuticals constituted the majority part, i.e. 81.9% of Krka Group total sales. They contributed €1,012.6 million to overall sales for the period, €25 million more than in the same period last year.

Non-prescription products sales totalled €122.5 million, up 29% on the same period last year (i.e. a 9.9% share of overall sales). The sales of animal health products increased by 7% to €69.4 million, accounting for 5.6% of total sales. Health resorts and tourist services generated €32 million in sales revenues, 2.6% of total sales, up 21% year on year.

## Research and Development

We plan to obtain marketing authorisations for at least 12 new products in 2022. Additional development activities will provide for even higher quality and safety of our established products. Six new products were added to our range in the nine-month period.

We obtained marketing authorisations for prescription pharmaceuticals Vitamin D3 Krka (cholecalciferol) in a new strength, the antithrombotic agent Dabixom (dabigatran etexilate), and the 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. In China we obtained approvals to market two cardiovascular agents, our valsartan film-coated tablets and our single-pill combination perindopril tert-butylamine/indapamide. We also extended our portfolio of non-prescription products with Magnezij Krka 400 water soluble granules.

In the nine-month period we obtained 297 new marketing authorisations in various markets, of that 187 for prescription pharmaceuticals, 13 for non-prescription products, and 97 for animal health products.

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

Special attention is being devoted to established products and their evaluation, complementing and adjusting them with the latest scientific findings and with regulatory and marketing requirements. This year we filed marketing authorisation documents for more than 20,000 variations and received approvals for more than 22,000 regulatory variations, which facilitates quality assurance and helps us supply all markets with our products without interruptions.

## Investments

In the nine months of 2022, the Krka Group allocated €74.9 million to investments, of that €53.1 million was invested by the controlling company.

These are currently our major investments:

- 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. This has rendered the facility fully technologically equipped. Its full capacity is 5 billion manufactured and 8 billion packed tablets per year. This most recent investment into Notol 2 has totalled €39.2 million.
- We finished several investments to upgrade the capacities for research, development, and analyses in our development-and-control laboratories. They totalled €8.2 million.
- We are investing €26 million in additional capacities at the Solid Dosage Form Products plant. The 2022 expenses for room refurbishment and procurement of technological equipment have been estimated at €17 million.
- We are doubling the production capacity for animal health products, and ensuring the long-term production of higher volumes of sterile products. The investment has been estimated at €29 million.
- We are increasing the production capacities for granulation and packaging in Ljutomer (Slovenia). The total value of the investments has been estimated at €16.4 million.
- We plan to build new facilities for API development and production in Krško (Slovenia). Based on project documentation and an IED OVD environmental impact assessment we obtained the building permit for the Sinteza 2 plant and laboratories for chemical analyses (*Kemijsko-analitski center* in Slovene). The environmental permit has also been granted, and construction works are planned to start after the permit enters into force. This project also includes the construction of a highly efficient wastewater treatment plant for the complete treatment of effluents. The investment has been estimated at €163 million and is in line with our strategy of vertical integration, from the development of a product to its production.
- The production and distribution centre in Jastrebarsko (Croatia) is being upgraded to increase production capacities for solid forms of animal health products. The modernisation of facilities and systems there will also result in a secondary location for the purposes of Quality Management and Information Technology. The investment has been estimated at €3.5 million.
- Our China-based joint venture Ningbo Krka Menovo has continued the acquisition of manufacturing and quality control equipment. Krka products are being manufactured there in facilities subject to a long-term lease. These are products for markets outside China, while since January 2021 we have also started placing the first products from that plant on the Chinese market.

## Employees

At the end of September 2022, the Krka Group employed 11,489 staff, of whom 5,198 worked outside Slovenia, constituting 45% of the total Krka Group headcount. Of all Krka Group employees, 51% have at least university-level qualifications; of that, 199 hold a doctoral degree. Together with agency workers, the Krka Group team is 12,494-strong.

## Investor and Share Information

At the end of September 2022, Krka had a total of 47,122 shareholders. As at 30 September 2022, the Krka share traded at €86.00 on the Ljubljana Stock Exchange, down 27% on the year-end of 2021, when it traded at €118.00.

In the nine months of 2022, Krka repurchased 57,588 treasury shares. At the end of September 2022, Krka thus held 1,741,496 treasury shares, accounting for 5.31% of total shares.

## Krka Group 2022 Performance Estimate

Full-year sales of products and services will exceed targets, totalling €1,674 million according to projections, up 7.3% year over year and resulting in average annual sales growth over the five-year period of 5.8%. The proportion of sales in markets outside Slovenia for the full year 2022 is estimated at 94%.

Region East Europe will remain the largest sales region and the Russian Federation the 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, where the largest market is Germany, Region South-East Europe, Region Slovenia, and Region Overseas Markets.

Prescription pharmaceuticals will remain the most important product category, accounting for an 82% share of total sales.

Full-year net profit will total around €360 million.

We plan to allocate €90 million to investments in our in-house development, production, and infrastructure facilities. The figure is below the initial plan but higher from the investment budget for the last two years. All investments anticipated in our business plan are currently in progress.

At the end of 2022, the Krka Group is expected to have 11,835 regular employees on payroll (up 2.8%), over 45% outside Slovenia.

### **Krka Group 2023 Business Plan**

Product and service sales are projected to total €1,755 million in 2023, up 5% compared to full-year 2022 estimates, with average annual sales growth over the five-year period thus at 5.7%. The proportion of sales in markets outside Slovenia is estimated at 94%.

Prescription pharmaceuticals will remain the most important product group, representing 82% of overall sales.

Net profit is planned to be around €300 million, with average annual growth over the five-year period at 11.6%.

We plan to increase the total number of employees in Slovenia and abroad by 2%.

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

The 2023 business plan derives from the *2022–2026 Krka Group Development Strategy* and is based on estimates, assessments, projections, and other available data. The Management Board believe the projections are reasonable. In the event of any major changes in the Krka business environment, e.g. price erosions, rising prices of raw materials, changes in exchange rates for certain currencies important for Krka, and decreased demand for pharmaceutical products, the actual operating results could deviate from the plan.

### **Sustainability**

The Krka, d. d., Supervisory and Management board have adopted the Sustainability Policy and strategic goals for the most important sustainability areas in the Krka Group. The Sustainability Policy is the master sustainability management document in the Krka Group for the environment (E), social (S) and corporate governance (G) aspects of our operations. It stipulates the fundamental principles of and efforts invested into setting up sustainable operations, which we pursue in our business operations and relations with different groups of stakeholders within the entire value creation chain.

The fundamental objective of integrating Krka Group sustainability principles and sustainability governance into management processes and business decisions is to increase awareness and improve management of sustainability risks and opportunities that affect our business operations and success in the long term. Moreover, our Sustainability Policy defines accountability, control and competencies levels for sustainability within our organisational structure, and sets priority sustainability areas and the associated management approaches. The essential Krka Group sustainability areas are: Product quality and patient safety; Talent attraction and retention; Accessible healthcare; Good leadership and governance practices; Compliance, integrity, and transparency; Planet and climate change; and Economic impacts and taxes.

The adopted sustainability goals complement the Krka Group Development Strategy 2022–2026 in the area of sustainability, and upgrade our sustainability policy. They outline concrete strategic directions and goals as well as key performance indicators (KPI) for individual key sustainability areas, and are important for Krka's long-term business success.

The Sustainability Policy and a summary of our strategic goals are posted on the Krka website.