

PRESS RELEASE

Krka Reports January to September 2023 Business Results

Novo mesto, 16 November 2023 – In the first nine months of 2023 Krka Group revenue amounted to €1,340.5 million, up 8% year-on-year, resulting in €320.3 million of operating profit for the period – the highest to date. Net profit totalled €235.6 million. The Krka Supervisory Board discussed the January to September 2023 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 stated: *“The Krka Group business was successful. Sales increased in all six sales regions and in most markets. In the first nine months, we recorded the highest operating profit (EBIT) to date, which increased by 37%. According to forecasts the Krka Group will exceed the annual 2023 sales target, reporting 1,770 million euros of product and services sales and a net profit of around 300 million euros.*

The Supervisory Board was presented the updated Krka Group Development Strategy for the 2024–2028 period. The main focuses are ensuring further sales growth and ranking among the leading generic pharmaceutical companies in individual markets and selected therapeutic classes. We will strengthen and optimise the vertically integrated business model. It serves as an effective strategic guideline and a competitive edge, as it enables us to manufacture products that meet high standards of quality, safety, and efficacy. We remain focused on the long-term profitability of the products we sell. We also plan to ensure growth through long-term business partnerships and targeted acquisitions, increasing sales by extending our market range and product portfolio. Our strategy pursues sustainability aspects and objectives of operations as we strive to preserve the economic, social and environmental responsibility towards the environments in which we operate. The revised strategy has served as the underlying for the 2024 operations plan, which envisages Krka Group sales of 1,850 million euros and a net profit of somewhat more than 310 million euros.“

Krka Group Financial Highlights

€ thousand	Jan–Sept 2023	Jan–Sept 2022	Index
Revenue	1,340,536	1,242,203	108
– Of that revenue from contracts with customers (products and services)	1,334,881	1,236,531	108
Gross profit	771,216	681,132	113
Earnings before interest, tax, depreciation and amortisation (EBITDA)	398,235	314,192	127
Operating profit (EBIT)	320,274	233,784	137
Profit before tax (EBT)	286,610	356,189	80
Net profit	235,559	301,668	78
R&D expenses	127,344	119,481	107
Investments	81,454	74,924	109

Performance Ratios

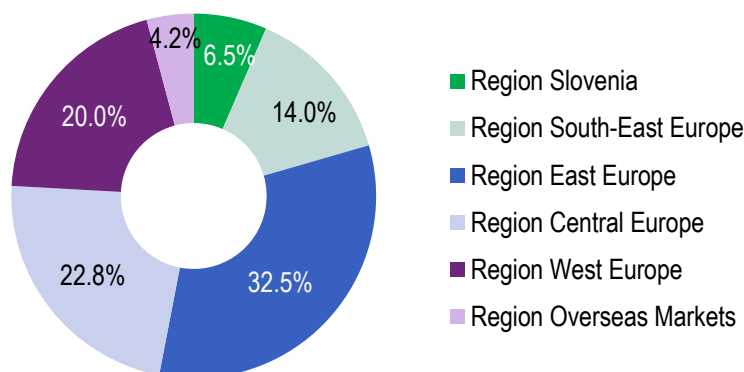
	Jan–Sept 2023	Jan–Sept 2022
Gross profit margin	57.5%	54.8%
EBITDA margin	29.7%	25.3%
EBIT margin	23.9%	18.8%
EBT margin	21.4%	28.7%
Net profit margin (ROS)	17.6%	24.3%
Return on equity (ROE)	14.8%	19.9%
Return on assets (ROA)	11.8%	15.3%
Liabilities/Equity	0.253	0.282
R&D expenses/Revenue	9.5%	9.6%

Sales

Product and Service Sales by Region

€ thousand	Jan–Sept 2023	Jan–Sept 2022	Index
Region Slovenia	86,678	77,200	112
Region South-East Europe	187,196	172,836	108
Region East Europe	434,083	414,147	105
Region Central Europe	305,013	280,887	109
Region West Europe	266,399	242,373	110
Region Overseas Markets	55,512	49,088	113
Total	1,334,881	1,236,531	108

Product and Service Sales by Region



The Krka Group's largest region in terms of sales was Region East Europe, where product sales totalled €434.1 million. In the Russian Federation, Krka's largest single market, we sold €260 million worth of products, a 3% year-on-year increase. Sales in Ukraine were €55.8 million, down 7% on the same period last year. In the other markets of Eastern Europe and Central Asia sales increased compared to the same period last year.

The second-best result was recorded in Region Central Europe, where we sold €305 million worth of products. In Poland, Krka's second largest single market, product sales were €136.6 million, up 6% year-on-year. In the Czech Republic sales increased by 12%, to €47.7 million, and in Hungary by 9%, to €41.5 million. Sales also increased in all other regional markets.

With €266.4 million worth of sales, Region West Europe was the third largest region. In Germany, Krka's largest market in the region and third largest single market, product sales amounted to €72.2 million, up 12% year-on-year. Sales also advanced in all other regional markets, apart from France. The biggest climbers were Portugal (up 24%), Ireland (up 21%), the Scandinavian countries (up 16%), and the UK (up 15%).

In Region South-East Europe Krka Group generated product sales of €187.2 million, with sales increasing in all markets except Albania.

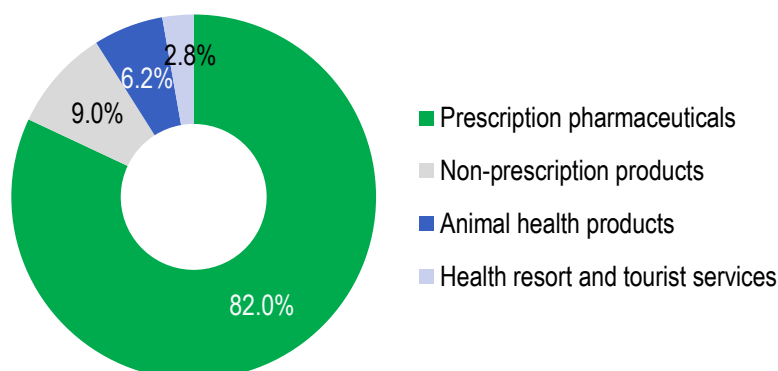
In Region Slovenia we sold €86.7 million worth of products. According to the latest available data, Krka holds a 7.4% share of the Slovenian market in terms of sales value, and thus remains the country's leading supplier of pharmaceuticals.

Sales in Region Overseas Markets totalled €55.5 million, growth being fuelled chiefly by the sales results for the Far East and Africa, which almost doubled.

Sales by Product and Service Group

€ thousand	Jan–Sept 2023	Jan–Sept 2022	Index
Human health products	1,215,087	1,135,162	107
– Prescription pharmaceuticals	1,094,339	1,012,643	108
– Non-prescription products	120,748	122,519	99
Animal health products	82,873	69,382	119
Health resort and tourist services	36,921	31,987	115
Total	1,334,881	1,236,531	108

2023 Nine-Month Sales by Product and Service Group



Research and Development

In the nine months ended 30 September 2023 we obtained marketing authorisations for 7 new products: 5 prescription pharmaceuticals and 2 animal health products.

Dapagliflozin film-coated tablets were added to the range of diabetes treatments available on European markets. A state-of-the-art product, dapagliflozin effectively reduces glycated haemoglobin and, moreover, has positive effects on the cardiovascular system and kidney function.

The Krka product range in China increased. A cardiovascular agent containing perindopril tert-butylamine was launched. We obtained approvals to market a modern antithrombotic containing rivaroxaban in the form of film-coated tablets, and a gliclazide agent in the form of modified release tablets, used to treat diabetes.

Our range for companion animals was expanded to include the Arocenia (maropitant) solution for injection, for cats and dogs. The agent affects the central nervous system, reducing nausea and preventing vomiting after surgery and chemotherapy, thus improving post-operative recovery. In countries of the European Union we obtained approvals for Robexera/Rogiola (robenacoxib) chewable tablets for dogs used for the treatment of osteoarthritis and post-operative pain relief.

We obtained a Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our antibacterial agent norfloxacin as incorporated into the Krka product Nolicin.

We finalised 408 marketing authorisation procedures, obtaining approvals for 216 prescription pharmaceuticals and 3 non-prescription products, thus bringing medications closer to patients in numerous markets.

Investments

Investments in the Krka Group between January and September 2023 totalled €81.5 million, of which the controlling company allocated €69.0 million.

Completed investments in Slovenia include the upgrade and increase in production capacity at the Beta Šentjernej, refurbishment of Development and Control Centres, and the increased tube filling capacity in the Bršljin Powder and Liquid Products plant.

Major ongoing investments include the modernisation and increase of production capacity at the plants NotoI, Solid Dosage Form Products, and Ljutomer (all Slovenia). In Novo mesto, Slovenia, construction works have continued for the six-storey multi-purpose building called Paviljon 3. It will house an extension for our microbiology laboratory and additional rooms for several organisational units.



In the production and distribution centre in Jastrebarsko, Croatia we are installing a new secondary packaging line, which will increase production capacities for solid forms of animal health products by one quarter. Other facilities and systems are also subject to ongoing upgrades.

New facilities for API development and production are planned in Krško, Slovenia. This is one of Krka's largest future projects. Based on project documentation and an IED OVD environmental impact assessment we have obtained the integral building permit for the Sinteza 2 plant and laboratories for chemical analyses. The environmental permit has also been granted, and construction works are scheduled to start after the permit becomes final. The investment is estimated at €163 million and pursues our strategy of vertical integration, from the development of a product to its production.

Employees

At the end of September 2023 the Krka Group employed 11,610 staff. 5,197 of those, which is 45% of the total Krka Group headcount, worked outside Slovenia. Of all Krka Group employees, 51% have at least university-level qualifications, and of that, 202 hold a doctoral degree. Together with agency workers, the Krka Group team is 12,637-strong.

Investor and Share Information

At the end of September 2023 Krka had 47,174 shareholders. The Krka share traded at €109.50 on the Ljubljana Stock Exchange as at 30 September 2023, up 19% on the year-end of 2022, when it traded at €92.00. Krka had a market capitalisation of €3.6 billion on the Ljubljana Stock Exchange.

In the first nine months of 2023 Krka repurchased 82,443 treasury shares, thus holding 1,868,292 treasury shares at the end of September, accounting for 5.697% of share capital.

Sustainability of operations

The company Supervisory Board and Management Board have adopted a revised Environmental, Social and Governance (ESG) Policy of the Krka Group and strategic goals for the most important sustainability areas. Sustainability and sustainability goals have been for the first time fully incorporated into the Krka Group Development Strategy for the period 2024–2028. The ESG Policy is Krka Group's master sustainability governance document for the environment (E), social (S) and governance (G) aspects of our operations. It stipulates the efforts invested into setting up sustainable operations and the fundamental principles that the Krka Group pursues in our business operations and relations with different groups of stakeholders within the entire value creation chain.

The fundamental objective of integrating the Krka Group ESG principles and sustainability governance into management processes and business decisions is to increase awareness and to improve management of sustainability-related impacts and risks, and to better spot opportunities that can affect our business operations in the long term. Moreover, our ESG Policy defines accountability, control and competencies levels for sustainability within our organisational structure, setting priority sustainability areas and the associated management approaches. The essential Krka Group sustainability areas are: 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.

The adopted sustainability goals complement the Krka Group ESG Policy and contribute to our long-term business success. They outline concrete strategic directions and goals together with key performance indicators (KPIs) for the key sustainability areas. The EGS Policy and a summary of strategic goals are posted on the Krka website.

What is more, activities are currently ongoing to implement the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), further upgrading sustainability reporting and management approaches in the most material sustainability areas.

We are expecting to receive an independent EGS rating by S&P at the end of the year.

Krka Group 2023 Performance Estimate

- Full-year sales of products and services will exceed targets, projected to total €1,770 million, up 3.6% year-over-year. Average annual sales growth over the five-year period will be 5.9%. Forecast sales are slightly higher than planned for 2023.
- The proportion of sales in markets outside Slovenia is estimated to be 94%.
- Region East Europe is projected to be the largest sales region, with the Russian Federation anticipated to remain the largest single market. Other regions are projected to follow in this order: Region Central Europe with our second largest single market Poland, Region West Europe and its largest market 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 €300 million.
- Just over €130 million is being earmarked for investments in our in-house development, production, and infrastructure facilities, consistent with our plans for 2023.
- At the end of 2023, the Krka Group is expected to have 11,916 full-time staff (up 2.7%), 45% of which outside Slovenia.

Krka Group 2024 Business Plan

- Full-year sales of products and services are projected to total €1,850 million.
- The proportion of sales in markets outside Slovenia is estimated at 94%.
- Prescription pharmaceuticals will remain the most important product category, accounting for 81% of total sales.
- Net profit is planned to be somewhat more than €310 million.
- The number of employees in Slovenia and beyond is projected to increase, by a total of 3%.
- We plan to allocate just over €150 million to investments, primarily for expanding and modernising production facilities and infrastructure.

The 2024 Business Plan has been aligned with the updated 2024–2028 Development Strategy of the Krka Group, which was adopted by the Management Board at their November meeting and presented to the Supervisory Board. It has been based on expectations, estimates, forecasts, and other available data. The Management Board believe the projections are reasonable. In the event of major changes in the Krka business environment, e.g., price erosion, rising prices of raw materials, changes in exchange rates for certain currencies important for Krka, and lower demand for pharmaceutical products, the actual operating results can deviate from the plan.

Key Strategic Objectives up to 2028

- To attain at least a 5% average annual sales growth in terms of volume/value and achieve above-average sales growth in relation to market dynamics. To remain or become the leading 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. To ensure high standards of product quality, safety, and efficacy.
- To keep the focus on maximising the long-term profitability of the products sold from development and production to marketing and sales, including all other functions within the Krka Group, and to 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, including core medicines from key therapeutic segments. Being an innovative generic pharmaceutical company, to develop complex products, including peptides, and enter new therapeutic classes.
- To continue developing complex generic products. To introduce innovative products in key therapeutic areas – combination products, innovative delivery systems and dosage forms.
- To increase outsourcing in the development and production of selected APIs and finished products, while assuring standard quality.
- To ensure growth through long-term partnerships and targeted acquisitions in addition to organic growth. The primary goal is to increase sales by entering new markets and adding new products.
- To allocate 10% of revenue to research and development.
- To pursue a stable dividend policy and consider the Krka Group's financial requirements for investments and acquisitions when determining the net profit share for dividend payout each year, allocating at least 50% of the net profit of majority shareholders for dividends.
- To upgrade the Krka Group's sustainability culture, integrating sustainability aspects into corporate governance and business decisions, and to maintain our economic, social and environmental responsibility to the environments in which we operate.
- To exploit digitalisation potentials in all business phases.
- To maintain independence.