

PRESS RELEASE

Krka Reports First Quarter 2023 Business Results

Novo mesto, 18 May 2023 – In the first three months of 2023 Krka Group revenue amounted to €458.2 million, which is a 6% increase year on year. This resulted in €89.0 million of net profit, a 2% decrease year on year. The Krka Supervisory Board discussed the First Quarter 2023 interim report for the Krka Group and Krka, d. d. at its regular meeting yesterday.

President of the Management Board and Chief Executive Jože Colarič explained: “The Krka Group operating results for the first quarter are good. Sales increased in five sales regions and in most of our key markets. Earnings before interest and taxes have remained high. Net profit is slightly lower compared to the first quarter last year, a result of increased foreign exchange losses and higher income tax. Over the reporting period we obtained marketing authorisations for three new medicinal products, and devoted €21.8 million to investments – primarily to support our production, research and development activities. Krka has been generating a robust cash flow from operating activities, which provides a stable source for financing our operating liabilities and investments, and for pursuing the company’s long-term dividend policy. The Supervisory Board and Management Board have thus proposed that Krka shareholders receive a dividend for 2022 in the amount of €6.60 gross per share. This is an increase by 17.2% from last year. Shareholders will vote on this proposal at the 29th AGM on July 6.”

Krka Group Financial Highlights

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Revenue	458,184	432,468	106
– Of that revenue from contracts with customers (products and services)	456,253	430,648	106
Gross profit	279,595	249,916	112
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	146,192	133,582	109
Operating profit (EBIT)	120,094	107,299	112
Profit before tax (EBT)	106,520	105,623	101
Net profit	89,011	90,716	98
Effective tax rate	16.4%	14.1%	
R&D expenses	43,914	41,825	105
Investments	21,843	22,709	96

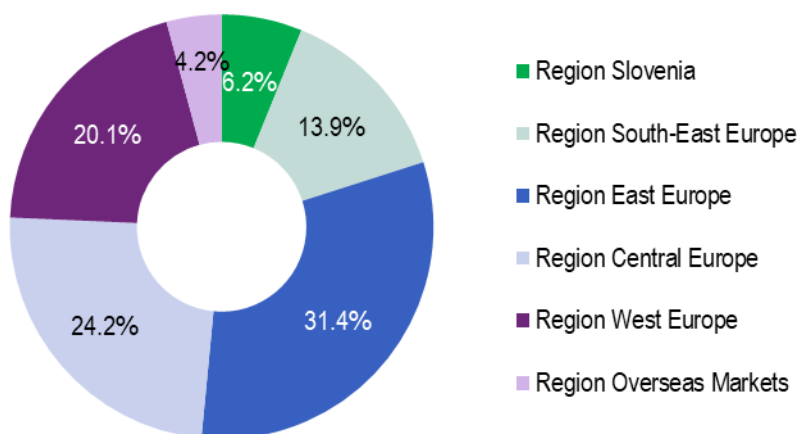
Performance Ratios

	Jan–Mar 2023	Jan–Mar 2022
Gross profit margin	61.0%	57.8%
EBITDA margin	31.9%	30.9%
EBIT margin	26.2%	24.8%
EBT margin	23.2%	24.4%
Net profit margin (ROS)	19.4%	21.0%
Return on equity (ROE)	16.4%	18.5%
Return on assets (ROA)	13.1%	14.0%
Liabilities/Equity	0.250	0.321
R&D expenses/Revenue	9.6%	9.7%

Product and Service Sales by Region

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Region Slovenia	28,077	23,432	120
Region South-East Europe	63,526	60,310	105
Region East Europe	143,493	146,700	98
Region Central Europe	110,262	99,620	111
Region West Europe	91,744	84,595	108
Region Overseas Markets	19,151	15,991	120
Total	456,253	430,648	106

2023 First Quarter Sales by Region



The Krka Group’s largest region in terms of sales was Region East Europe, where product sales totalled €143.5 million. This region includes Krka's largest single market, the Russian Federation, where product sales amounted to €87.8, up 5% year on year. In Ukraine we sold €10.7 million worth of products, down 60% on the same period last year. In Ukraine, emergency situation and the distributors’ inventory management measures caused the pharmaceuticals market to shrink. We estimate that the dynamics of sales will be more intense by the end of first half of the year. In all other markets of eastern Europe and central Asia, except Georgia, Krka’s sales were up.

The second best result was recorded in Region Central Europe, where product sales totalled €110.3 million. In Poland, Krka’s second largest individual market, product sales were €47.6 million, up 4% year on year, while in the Czech Republic they advanced by 29% to €17.5 million. Sales also increased in all other regional markets.

With €91.7 million worth of sales recorded there, Region West Europe was the third largest region. In Germany, Krka’s largest market in the region and third largest individual market, product sales amounted to €23.4 million, up 1% year-on-year. Growth was also recorded in most other regional markets, the highest in Portugal (38%), Ireland (22%), and the Benelux (15%).

In Region South-East Europe Krka generated product sales of €63.5 million, with sales increasing in most regional markets.

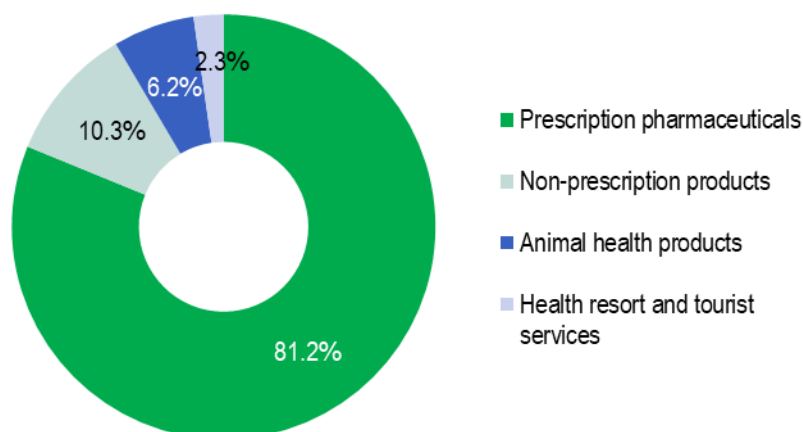
Product and service sales in Region Slovenia totalled €28.1 million. In terms of the value of sales, Krka holds a 7.6% share of the market and is thus the country’s leading supplier of medicinal products, both prescription pharmaceuticals and non-prescription products.

Sales growth in Region Overseas Markets was fuelled chiefly by the sales results for the Far East and Africa, which more than doubled.

Sales by Product and Service Group

€ thousand	Jan–Mar 2023	Jan–Mar 2022	Index
Human health products	417,457	400,342	104
– Prescription pharmaceuticals	370,309	353,099	105
– Non-prescription products	47,148	47,243	100
Animal health products	28,402	21,930	130
Health resort and tourist services	10,394	8,376	124
Total	456,253	430,648	106

2023 First Quarter Sales By Product and Service Group



Research and Development

In the first quarter of 2023 we obtained marketing authorisations for three new products.

Expanding the Krka product range in China, we obtained a marketing authorisation for a perindopril tert-butylamine cardiovascular agent. Perindopril is one of the most widely researched ACE inhibitor in terms of clinical trials. This is one of the reasons why it is the drug of choice in treating hypertension, heart failure and coronary heart disease.

Krka also obtained its first marketing authorisation in China for an antidiabetic. Gliclazide, which was approved in the form of modified release tablets, effectively reduces blood glucose levels in diabetes 2 patients.

For a new synthesis process for norfloxacin we obtained a Certificate of Suitability to the monograph of the European Pharmacopoeia issued by the European Directorate for the Quality of Medicines & Health Care. Norfloxacin is a fluoroquinolone antibiotic and thus a drug of choice for treating urinary tract infection, prostatitis and gastrointestinal infections. The active ingredient is incorporated into Krka Nolycin film-coated tablets.

We finalised 74 marketing authorisation procedures in different markets, obtaining approvals for 68 prescription pharmaceuticals, 3 non-prescription products and 3 animal health products.

To ensure a continual supply and competitive edge for our established products we had filed so far in 2023 marketing authorisation documents for over 7,000 variations. More than 5,000 have already been approved.

Investments

In the first quarter of 2023 the Krka Group allocated €21.8 million to investments.

We have completed the €2.5-million investment in the Šentjernej, Slovenia Beta plant. It included an upgrade of the systems and equipment, and an increase of the production capacity for the preparation of dry granules. The investment has contributed to our decreasing water-soluble organic solvent emissions.

Development and Control Centres have undergone a €1.8 million investment, now completed. The refurbishment has resulted in additional laboratory space and provided safe conditions for manipulating highly active ingredients.



The ongoing investment in the Notol plant is renovating the washing room, and replacing and upgrading packaging lines. The first four packaging lines have been installed and are already in use.

In Novo mesto, Slovenia, construction works have continued for a new 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.

Based on project documentation and an environmental impact assessment we have obtained the integral building permit for the Sinteza 2 plant and laboratories for chemical analyses in Krško, Slovenia. The environmental permit has been granted, and construction works are scheduled to start after the permit becomes final. The investment is estimated at €163 million and is in line with our strategy of vertical integration, from the development of a product to its production.

Employees

At the end of March 2023 the Krka Group employed 11,692 staff, of whom 45% or 5,287 worked outside Slovenia. Employees with at least university-level qualifications account for 51% of all personnel, and 203 hold doctoral degrees. Including agency workers the Krka Group employs a 12,619-strong team.

Investor and Share Information

At the end of March 2023 Krka had 47,080 shareholders. On 31 March 2023 the Krka share traded at €108.00 on the Ljubljana Stock Exchange, up 17% on the year-end of 2022, when it traded at €92.00.

In the first quarter of 2023 Krka acquired 31,321 treasury shares. As at 31 March 2023 Krka held 1,817,170 treasury shares accounting for 5.541% of its share capital.

Krka Group 2023 Business Plan

Full-year sales of products and services are expected to reach €1,755 million. Net profit is planned in the region of €300 million. The total number of employees in Slovenia and abroad is expected to increase by 2%. Over €130 million has been earmarked for investments, primarily for expanding and technologically upgrading production and development facilities, and infrastructure.

The Six Months 2023 Performance Estimate will be released at the 29th AGM on July 6, and the 2023 Half-Year Report on July 20, 2023.