

2024 Supervisory Board report ¹

Dear shareholders and stakeholders,

I am delighted to announce that in 2024, the Krka Group delivered exceptional performance, recording its highest sales to date. The Management and Supervisory Boards plan to further increase sales in 2025, surpassing the €2 billion milestone. A record production output of over 20 billion tablets and capsules is also forecast for 2025.

With this objective in mind, Krka is recruiting new employees, investing in production facilities, and continuously upgrading its development and support infrastructure. In 2024, Krka consolidated its market position in traditional markets and established a joint venture in India with a local partner. This collaboration will boost raw material and finished product production going forward, further strengthening its presence in the vast Indian market.

We are also delighted to announce that at the November 2024 investor conference, the Ljubljana and Zagreb Stock Exchanges awarded Krka with the Best Investor Relations Award among all listed companies for the fifth time.

On behalf of the Supervisory Board members, I present an overview of our work in 2024 below.

Work of the Supervisory Board

The Supervisory Board of Krka has nine members. As at 31 December 2024, the shareholder representatives were Prof. Dr Julijana Kristl, President of the Supervisory Board Jože Mermal, Deputy President of the Supervisory Board Prof. Dr Matej Lahovnik, Dr Boris Žnidarič, Luka Cerar, and Mojca Osolnik Videmšek. The employee representatives were Deputy President of the Supervisory Board Dr Mateja Vrečer, Dr Mari Božič, and Tomaž Sever. The Supervisory Board was composed of four women and five men, all with diverse qualifications, work experience, and areas of expertise. Their age ranged from 48 to 76 years. Their wide-ranging knowledge covers various areas of expertise, including pharmacy, chemistry, law, economics, quality assurance, social sciences, mechanical engineering, organisational sciences, and management. They have managed and supervised many companies, organisations, and processes throughout their careers. For detailed information about the composition of the Supervisory Board, please refer to the 'Corporate governance statement' section, specifically the table titled 'Composition of Supervisory Board of Krka as at 31 December 2024'.

On 21 June 2024, the term of office of employee representatives Dr Mateja Vrečer, Tomaž Sever, and Franc Šašek expired. The Krka Works Council reappointed Dr Mateja Vrečer and Tomaž Sever for another five-year term of office and appointed Dr Mari Božič for a five-year term of office commencing on the same day.

As Franc Šašek's term of office expired, he stepped down as an employee representative and Deputy President of the Supervisory Board. At the July meeting, Dr. Mateja Vrečer was appointed to this position.

On 5 July 2024, the five-year term of office of Supervisory Board member Mojca Osolnik Videmšek expired. On 11 July 2024, at the 30th AGM, she was reappointed to the Supervisory Board for another five-year term, commencing on 12 July 2024.

The remit and decision-making processes of the Supervisory Board involve overseeing Krka's objectives and those of the Krka Group in line with its development strategy and plans, legislation, best national and international practices, and by-laws. Meetings provide the Supervisory Board members with an opportunity to express their opinions and concerns, while working to reconcile differences and pass unanimous resolutions. No member voted against any resolution put forward in 2024.

¹ The Supervisory Board of Krka, d. d., Novo mesto approved the 2024 Annual Report and the 2024 Supervisory Board Report at their regular meeting of 2 April 2025. In accordance with Commission Delegated Regulation (EU) 2019/815 and Paragraph 1 of Article 134 of the Market in Financial Instruments Act (ZTFI-1), the official version of the report is the one created in the European Single Electronic Format (ESEF), prepared in the Slovenian language, and published via SEOnet, the official electronic dissemination information system of the Ljubljana Stock Exchange, approved by statutory auditors on 24 March 2025. We therefore publish the 2024 Supervisory Board Report of Krka, d. d., Novo mesto in a separate document.

We received all requisite data, reports, and information in 2024. Krka's departments provided technical and organisational support to us. A secure digital platform, *IxtlanBoard*, developed by a Slovenian company Ixtlan, was used throughout the year to disseminate materials and work support. The Management Board communicated the materials seven days before each Supervisory Board meeting.

The members regularly attended the meetings and actively participated in them. For further information, please refer to the 'Corporate governance statement' section, specifically the table titled 'Composition of Supervisory Board of Krka as at 31 December 2024'. The Supervisory and Management Board members and the Supervisory Board Secretary regularly attended the meetings. External auditors (the audit partner and an audit coordinator) attended the meetings as rapporteurs when adopting the annual report. The Head of Internal Audit also attended meetings as a rapporteur whenever mandatory topics concerning internal audit were on the agenda.

In 2024, the Supervisory Board members met at seven regular meetings and deliberated 65 agenda items. Members of the Supervisory Board committees met nine times and deliberated 44 agenda items, which they subsequently reported on and provided advice to the Supervisory Board. All Supervisory Board meetings and committee meetings were held in person at Krka's registered office.

The Supervisory Board discussed Krka's past and current operations, financial and business risks, situation on sales and purchase markets, human resource issues, investments and products, and monitored strategy implementation. We oversaw upgrades to Krka's sustainable management and reported to investors and other stakeholders on progress in that area. We discussed the updated risk register and the 2025 business and financial plan with the Management Board and approved them. We monitored Krka's strengths, weaknesses, risks, and business opportunities as recorded in the reports from the professional community and analysts. We compared Krka's operations with those of competitors, received regular updates on new developments within the Company, the pharmaceutical industry, and the business environment. We also evaluated the performance of the Management Board. We collaborated with the Management Board to prepare a proposal for the appropriation of distributable profit and materials for the AGM. The Supervisory Board continuously worked to enhance its performance in line with best practices and the company's needs. In 2024, we also conducted a self-assessment and developed a plan for further improvements based on the findings.

Key issues for discussion at Supervisory Board meetings in 2024

Annual report

In 2024, the Supervisory Board examined the *2023 Annual Report* of Krka and the Krka Group within the statutory time frame and discussed the independent auditor's report issued by the audit firm KPMG, Slovenija, podjetje za revidiranje, d. o. o. (hereinafter: KPMG). The report stated that the financial statements, which form a part of the annual report, presented fairly, in all material respects, the financial position of Krka and the Krka Group, their financial performance, and cash flows in accordance with the *International Financial Reporting Standards* (hereinafter: IFRS) as adopted by the European Union. We were briefed on the Company's and external auditor's activities in preparing the financial statements in the European Single Electronic Format (hereinafter: ESEF). The statutory auditor KPMG reviewed the Company's reporting in the format that complies with the *Commission Delegated Regulation (EU) 2019/815* and confirmed its relevance.

We had no comments on the auditor's work or report.

In April 2024, we also compiled and adopted our 2023 activity report. Together with the Management Board, we drew up the 'Corporate governance code compliance statement' outlining the Company's compliance with the *Corporate Governance Code for Listed Companies* (hereafter the *Code*), which was endorsed by the Slovenian Directors' Association and the Ljubljana Stock Exchange.

We included additional ESG indicators in the *2023 Annual Report* and identified the primary global sustainable development goals that the Krka Group's business operations significantly contribute to.

Interim results

The Supervisory Board discussed 2024 first-quarter, half-year, and nine-month performance reports for Krka and the Krka Group. The Audit Committee reviewed the accounting and financial aspects of interim results and financial risks and briefed the Supervisory Board on all interim reports. As part of the analysis of interim results, the Audit Committee and the Supervisory Board were briefed on business processes and risk management.

In 2024, fluctuations in foreign exchange rates primarily resulted in losses, as Krka faced ongoing uncertainties in many sales markets. Despite this, the Krka Group managed to increase year-on-year sales in the first quarter, first half, and first nine months of 2024.

Supervision of subsidiary performance in the Krka Group

No notable operational issues arose at Krka's subsidiaries in 2024. Krka and its long-standing Indian business partner Laurus Labs Ltd. established a joint venture named Krka Pharma Pvt. Ltd., headquartered in Hyderabad. Krka holds a 51% stake in the joint venture. The year-end tally rose to 34 subsidiaries and 17 representative offices registered abroad. Krka has one subsidiary in Slovenia, i.e. Terme Krka.

Krka is the controlling company and performs all business functions. Subsidiaries produce, distribute, and market medicines abroad and engage in R&D to an extent. An individual company performs one or more functions. The Slovenian subsidiary Terme Krka provides health-resort and tourist services.

The Management Board reported to the Supervisory Board on subsidiaries' business models, their performance, and significant accounting information, in particular information about the book value of Krka's investments in subsidiaries, employee count, inventories, assets, equity, operating income and expenses, operating profit or loss, and net operating results.

As at 31 December 2024, Krka was the sole owner of all Krka Group subsidiaries, except Ningbo Krka Menovo, a joint venture in China, where the Chinese partner holds a 40% stake, and the aforesaid Krka Pharma Pvt. Ltd. All subsidiaries significantly added to the Krka Group's solid performance results in 2024.

2025 Krka Group business plan

At the November 2024 meeting, the Supervisory and Management Board members discussed the 2025 business plan of Krka and the Krka Group. It was prepared by the Management Board and endorsed by the Supervisory Board (Item 6.18 of the *Articles of Association*).

The 2025 business plan is based on the updated 2024–2028 development strategy. It includes detailed information about sales by region and product group, new products, R&D investments, acquisition of fixed assets and investments, employment plan, and business performance forecasts.

Annual General Meeting

The Supervisory and Management Boards drafted the agenda and materials for the 30th AGM of 11 July 2024 and prepared a proposal for the appropriation of distributable profit. The AGM passed the Management and Supervisory Board's motion to pay a dividend of €7.50 gross per share, the highest to date.

The term of office of Supervisory Board member Mojca Osolnik Videmšek expired on 5 July 2024. In line with the Supervisory Board's nomination, the AGM reappointed Osolnik Videmšek for another five-year term of office commencing on 12 July 2024.

On 21 June 2024, the Works Council appointed employee representatives Dr Mateja Vrečer, Tomaž Sever, and Dr Mari Božič to the Supervisory Board. The AGM was informed of their appointment.

The Company prepared a report for the 30th AGM on the Supervisory and Management Board member remuneration in 2023. The report contained comprehensive remuneration disclosures in compliance with Article 294 b of the *Companies Act* (ZGD-1). The certified auditor of KPMG reviewed the document and prepared a relevant report. The AGM endorsed the report on Management and Supervisory Board member remuneration for the previous year.

The AGM discharged the Management and Supervisory Boards of liability for the previous year.

Investments

The Management Board also delivers quarterly, half-year, nine-month, and annual investment reports to the Supervisory Board. Once a year, it compiles a detailed report on major investments covering work in progress, deadline compliance, budgeted costs, and the accounting value of investments. Photographs, diagrams, and other presentations of construction sites and buildings are also reviewed at the meeting.

Supervisory Board members received detailed information about investments in the extensive refurbishment of the solid dosage form production plant, the Notol Department, and extended capacities at the production plant for tablets, film-coated tablets, and capsules, the OTO Department, both in Novo mesto, Slovenia. We were also briefed on the completion of Paviljon 3, intended primarily for extending a microbiological laboratory, the Sterile Products Department extension, and enhanced capacities for lozenge production at the Ljutomer Department, all located in Slovenia. The Management Board updated us on the progress of construction on the Krško wastewater treatment plant, and the beginning of construction on the multi-purpose building, which will house the central kitchen at the main site in Ločna, Novo mesto, both in Slovenia. The Management Board also provided details on investments to enhance environmental protection and increase sustainable mobility.

Risk management

The Management Board regularly reported on risks to the Supervisory Board.

At the January meeting, the Supervisory Board received the Management Board's report on cyber-security risk management. The Company experienced no significant issues in this area in 2024.

As in previous years, the Management Board updated members on patent and similar disputes, broken down by individual products and markets. In 2024, the Company did not encounter any major value-related risks in this regard.

When presenting interim reports, the Management Board briefed the Supervisory Board on credit, currency, market, and regional risks, and potential measures taken by authorities or regulatory bodies in individual countries. The Company promptly and effectively adapted to the prevailing situation, guaranteeing seamless business operations in both the Ukrainian and Russian markets. Over fifty years of doing business in Eastern Europe proved advantageous in that regard.

The Internal Audit of Krka reported to the Supervisory Board on risks identified in internal audit reviews. The Company experienced no specific issues in this regard in 2024.

Due to the Krka Group's debt-free status and strong performance, liquidity risks remained minimal in 2024. The controlling company uses the cash-pooling system to settle all subsidiaries' current and non-current financial liabilities and absorb their cash surpluses.

The Management Board updated the *Krka Group Risk Register* for the November meeting of the Supervisory Board. It is designed to promptly identify and manage risk factors that may hinder business performance. The *Risk Register* complies with the revised *2024–2028 Krka Group Development Strategy* while considering changes in the business environment. The Supervisory Board also deliberated the *Integrity Plan*, which focuses on managing ethics, integrity, and business compliance risks. The Supervisory Board had no comments on them.

Pharmaceutical industry trends and analytical reports on Krka

In 2024, nine financial analysts – eight international and one Slovenian – from banks or financial companies monitored Krka performance, two more than the year before. Additionally, in-house analysts from the majority owners also monitored Krka operations. As in previous years, the Supervisory Board was briefed about the findings of external analysts, fair value assessments of Krka shares, the Company's strengths and weaknesses, and market opportunities and risks. It also discussed the latest updates and insights regarding the pharmaceutical industry.

According to the analysts, one of Krka's notable advantages was its established presence in many markets, as it ranked among the top three generic providers in many of them. They commended Krka for its innovative products, effective

marketing mix, business growth-driven investments, high dividend yield, robust capital structure, and presence in China and India. Analytical reports often mention vertical integration as another Krka's competitive edge, as it ensures ready quantities of quality products and a quick response to market needs.

Regarding risks in 2024, they considered price and competition pressures in the pharmaceutical industry, uncertainties in many markets, risks in eastern European markets, and, in this context, currency risks.

Benchmarking Krka performance against comparable companies

The Supervisory Board regularly compares Krka's operations with those of its competitors. In 2024, the Supervisory Board benchmarked Krka Group's performance against other generic pharmaceutical companies, particularly Gedeon Richter, Stada, Lek, and Hikma. We analysed sales, their structure by region and product group, gross profit, operating profit (EBIT), earnings before interest, tax, depreciation and amortisation (EBITDA), profit before tax (EBT) and profit for the period, margins, ROE and ROA ratios, cost structure, statement of financial position, and share price ratios.

Additionally, in 2024, Krka consistently ranked highly vis-à-vis competitors in terms of margins, especially the EBITDA and net profit margins. Despite being debt-free, the Company recorded a very high ROE.

Report on Krka's business operations in China and India

The Supervisory Board was briefed at the May meeting on Krka's business operations in China and India.

In 2024, Krka opened a representative office in China dealing in purchasing transactions. Krka had collaborated on numerous projects with Menovo, a Chinese business partner, which led to the establishment of the joint venture Ningbo Krka Menovo in 2017.

Krka has enjoyed long-standing collaborations with business partners from India. Krka began by purchasing raw materials and later transferred technology to a contractual partner, entrusting them with the manufacture of fluconazole in 1997. In 2000, Krka opened a representative office in India, bolstering collaboration with local companies. In 2024, Krka and its long-standing Indian collaborator Laurus Labs Ltd. established a joint venture named Krka Pharma Pvt. Ltd., headquartered in Hyderabad.

The joint ventures create substantial synergies in R&D, production, and, increasingly, sales within the Chinese and Indian markets.

Works Council report on worker participation in management

At their meeting in July, the Supervisory Board discussed the Works Council report in accordance with Article 80 of the *Worker Participation in Management Act*. The president of the Works Council, sitting on the Supervisory Board as the employee representative, presented the report. The materials aim to inform the Supervisory Board about worker participation in management, draw attention to any shortcomings, and propose measures if deemed necessary.

The Works Council assessed the extent to which the management complied with the *Worker Participation in Management Act* and found that the company's management supported worker participation in management. The Works Council and the Management Board have concluded a participation agreement that grants workers additional rights beyond those stipulated by law.

Employee satisfaction was exceptionally high, according to the organisational climate survey. Employees expressed confidence in Krka's business model and management. The Supervisory Board members were presented with the report and had no comments.

The Krka Group's sustainable operations and independent audit results for Krka

The Supervisory Board has been addressing upgrades to Krka's sustainable business practices under a separate agenda item at every meeting since July 2022. The Management Board appointed a project team for sustainable operations in 2021. The Sustainability Board was formed, and ESG coordinator and ESG managers appointed. In November 2022, the Supervisory Board first discussed the *ESG Policy of the Krka Group*, on foot of a Management Board proposal. The

policy is reviewed annually. During the double materiality assessment process, the Krka Group identified its stakeholders, significant sustainability concerns, and their impact on the Company. It also delved into Krka's impact on stakeholders, the economy, and the natural environment. Strategic ESG objectives were incorporated into the updated *2024–2028 Krka Group Development Strategy*.

At the January meeting, the Supervisory Board members received information about the S&P Global Corporate Sustainability Assessment (CSA) ranking of Krka's sustainability practices. Krka ranked among the top 10% of pharmaceutical companies.

We addressed the revised double materiality assessment and received detailed information about relevant legislation, implementation of the *CS3D* and *CSRD Directives* requirements, and improvements in the Krka Group's annual reporting in line with the ESRS standards.

Supervisory Board and Internal Audit cooperation

The Supervisory Board approves the appointment, dismissal, and remuneration of the Head of Internal Audit; documents regulating the department's purpose, importance, and tasks; and its annual and medium-term work plans. It also receives a briefing on the Internal Audit annual performance report.

In accordance with the *Companies Act*, we discussed the employment contract of the Head of Internal Audit for the upcoming contractual period, commencing on 1 April 2024, and endorsed it.

In 2024, the Supervisory Board determined the performance bonus for the Head of Internal Audit for 2023 and for the first half of 2024 as per her employment contract.

We were briefed on the Internal Audit annual performance report and had no comments. The Supervisory Board also discussed and approved the 2025 Internal Audit annual work plan.

More details on the areas reviewed by Internal Audit in 2024 are available later in the section discussing the work of the Audit Committee. It reported on all those topics related to internal audit performance and advised the Supervisory Board.

Last year's cooperation between the Supervisory Board and Internal Audit was successful. Internal Audit found no material errors or irregularities in relation to the areas reviewed in 2024.

Management Board performance and remuneration

The *Remuneration Policy for Management and Supervisory Bodies*, passed at the consultative voting by the 29th AGM, outlines the remuneration structure for Management Board members. A summary of the policy is provided below.

Management Board members receive fixed and variable remuneration components, bonuses, and other fringe benefits. The fixed remuneration for each member is determined at the start of their term in office as a multiple of the average salary of Krka employees, ranging from four to ten times the average.

The criteria for determining the variable remuneration for the President of the Management Board and other Management Board members are the same and align with the long-term operational guidelines, as they are based on the Krka Group development strategy. Krka's performance evaluation incorporates financial criteria, accounting for eleven of the seventeen-point score in calculating the variable remuneration. The criteria include: (a) Growth in sales revenue and sales volume; (b) Growth of sales revenue compared to competitors; (c) Increase in cash flows from operating activities; (d) Increase in operating profit; (e) Return on equity compared to competitors; and (f) Dividend payments. Krka's *ESG Policy* (its summary is on the SEOnet of the Ljubljana Stock Exchange) specifies six areas that are most important for Krka's stakeholders and Krka in the long run: (a) Product quality and patient safety; (b) Attracting and retaining talent; (c) Good leadership and governance practices; (d) Accessible healthcare; (e) Planet and climate change; and (f) Compliance, integrity and transparency. The variable part of the remuneration for the Management Board members is determined by considering six out of seventeen points.

Scoring has a linear effect on the variable remuneration. Variable remuneration is determined depending on long-term performance results. The criteria are used to evaluate the current year or half-year and the past ten calendar years. Current performance is weighed against performance over the past ten years at a 60% to 40% ratio for all Management Board members. The Supervisory Board can adjust the long-term performance weights to a 50% ratio. Variable remuneration is not directly contingent upon the length of the term in office.

The Human Resource Committee and the Supervisory Board evaluate the Management Board's performance twice a year, based on written and verbal reports from the Management Board. In 2024, independent members sat on the two bodies in line with the criteria from the *Code*.

The Management Board does not conduct self-assessments; instead, it is assessed by the Supervisory Board.

Variable remuneration to the Management Board members is payable in two parts: advance payment based on semi-annual results and back pay tied to annual performance.

The *Remuneration Policy for Management and Supervisory Bodies* sets down payment deferral and remuneration claw-back conditions.

Shares and shareholder structure

The shareholder structure of Krka is notably stable and did not experience significant changes last year. No shareholder holds a majority or controlling holding.

The Company regularly purchased treasury shares in line with legislative provisions and by-laws.

Every quarter, the Supervisory Board received up-to-date share information and a report on the acquisition and disposal of treasury shares, the shareholder ledger, share trading, and the share price. We also received information about the calendar of closed periods during which persons with access to insider information are prohibited from trading Krka shares. This includes Supervisory Board members.

Strengthening good practice in Supervisory Board performance

The Supervisory Board conducted a regular annual self-assessment in 2024 using the methodology of the Slovenian Directors' Association, as part of which it considered the assessment matrix revised in compliance with the *Code* in force in 2024. Members submitted the completed self-assessment questionnaires to the Secretary, based on which the Secretary and the President of the Supervisory Board produced a report.

The average 2024 score was 3.8 out of 4, the same as last year. The scores demonstrated that the Supervisory Board's performance was close to the highest standards. In 2024, members also resolved to enhance our work in line with good practice.

In line with the recommendations from the *Code*, we received information about the statements of independence of the Supervisory Board and its related committees during the 2024 January meeting.

Screening of related party transactions

In accordance with the *Companies Act* requirements, the Company introduced an internal mechanism to screen related party transactions, including those with members of the Management and Supervisory Boards and their related persons. Krka's Documentary and Financial Control department screens the transactions. The screening checks the alignment of transactions with market conditions and Krka's regular business operations. All members completed related-party declarations in 2024. No transaction requiring a decision by the Supervisory Board was concluded in 2024.

Corporate events

In 2024, the Supervisory Board attended the AGM, while individual members also attended corporate events organised by the Company to celebrate the 70th anniversary of Krka's business operations.

Work of Supervisory Board committees

The Supervisory Board receives reports and advice from the Audit Committee and the Human Resource Committee, which deal with accounting, auditing, finance, and human resource issues in detail. However, decision-making remains the remit of the Supervisory Board. The Supervisory Board endorsed the opinions tendered by both Committees regarding the items they reported and advised on.

The ensuing sections detail the committees' work.

Audit Committee

In 2024, the Audit Committee met six times and deliberated 35 agenda items. The President of the Audit Committee is Mojca Osolnik Videmšek, and its members are Dr Matej Lahovnik, Dr Boris Žnidarič, Borut Šterbenc, Luka Cerar, Dr Mateja Vrečer, and Tomaž Sever.

Šterbenc is an external accounting and auditing expert. On 9 September 2020, at the first meeting of the new members, the Supervisory Board appointed him as an external member of the Audit Committee for a five-year term of office. He does not sit on Krka's Supervisory Board.

The term of office for Mojca Osolnik Videmšek, President of the Audit Committee, on the Supervisory Board expired on 5 July 2024. The 30th AGM reappointed her as a Supervisory Board member. Osolnik Videmšek was reappointed the President of the Audit Committee at the July meeting of the Supervisory Board.

The Audit Committee invited the President of the Management Board; the member of the Management Board responsible for economics, finance, and IT; and the Head of Internal Audit to all its meetings. The President of the Supervisory Board had the discretion to attend the meetings. The Supervisory Board Secretary attended all meetings. Two representatives of the audit firm KPMG – the audit partner and audit coordinator of the annual report – also attended three meetings.

The Audit Committee dedicated most of its time in 2024 to the items outlined below.

Annual report

The Committee discussed the *2023 Annual Report of Krka and the Krka Group*, the auditor's report, and the 2023 Supervisory Board report on the review of operations. It moved that the Supervisor Board approve them. The audit partner and coordinator from the external audit firm KPMG reported on the audit process to the Committee members twice. At the meeting on 13 March 2024, the Committee received a briefing on the auditor's statement of independence, which confirmed that both the audit firm KPMG and the KPMG audit team maintained their independence from the Krka Group.

The Committee discussed drawing up financial statements in the European Single Electronic Format (ESEF). The certified auditor confirmed the adequacy of the Company's reporting in the format specified by the *Commission Delegated Regulation (EU) 2019/815*.

The Audit Committee had no comments on the auditor's work. Their high-quality and comprehensive work contributed to improved oversight of business operations.

Interim results

The Audit Committee reviewed interim reports, in particular from their accounting and financial aspects, and reported on the matter to the Supervisory Board. In 2024, no specific accounting or financial issues or significant deviations from past practice were identified.

External auditor cooperation

The Committee regularly monitored the external audit process and collaborated with external auditors, who provided regular updates on the progress of the audit for the previous year's financial statements.

In compliance with the resolution passed by the AGM, KPMG is to audit the Company and the Krka Group 2022, 2023, and 2024 annual reports. In September 2024, the Audit Committee and KPMG started preparing to audit the *2024 Annual Report* of Krka and the Krka Group. Every year before the start of the audit, Committee representatives meet with the audit partner and coordinator to discuss key focus areas and the audit plan. They met on 11 September 2024, reviewed the 2024 audit plan draft and the composition of the audit team of KPMG, and agreed on which individual focus areas would undergo further review. The Management Board members were not present at the meeting.

Krka's departments and the new auditor diligently prepared in advance for the commencement of the preliminary audit, which began in September 2024 and continued into the upcoming audit.

The Committee works closely with the external auditor throughout the audit process.

Approval of additional non-audit services by external auditor

The Audit Committee and the Supervisory Board agreed that KPMG, as the auditor of the financial statements of Krka and the consolidated financial statements of the Krka Group, render in compliance with Krka's *Protocol for the Preliminary Approval of Non-Audit Services* a non-audit service, namely a compliance review of sustainability reporting based on a limited assurance engagement as per *International Standard on Assurance Engagement* (ISAE 3000).

In line with Krka's *Protocol for the Preliminary Approval of Non-Audit Services*, the Audit Committee approved a non-audit service, which involved reviewing the remuneration for management and supervisory bodies in 2023. KPMG prepared this service for the 30th AGM.

KPMG had the financial statements translated into English and audited the correctness of the consolidated financial statements in ESEF. The firm also rendered a non-audit service – a review of the report on relations between the subsidiary Terme Krka, d. o. o., Novo mesto, Slovenia and related companies.

Cooperation with internal auditors

The Audit Committee discussed several topics related to internal audit in 2024. In March 2024, they reviewed the 2023 Internal Audit performance report. In her annual report, the Head of Internal Audit reported on audits of: (a) Pharmaceutical development; (b) Utilities; (d) Marketing applications and analytics; (e) Sales in Region Central Europe; (f) Warehousing and transport; (g) Control over production plants abroad and contract manufacturing; and (h) Laboratory control. Internal Audit audited subsidiaries and representative offices in Mongolia, Albania, Kazakhstan, Bosnia and Herzegovina, Germany, Romania, Kyrgyzstan, Kosovo, Poland, and Krka's Slovenian subsidiary Terme Krka. They also rendered consultation services as per *International Standards for the Professional Practice of Internal Auditing*, including corporate governance, sustainable operations, and Krka's central information system upgrades. The report included a description of internal audit activities in both subsidiaries in the Russian Federation, which have a local internal auditor.

The Committee discussed the Internal Audit performance report for the period January to June 2024. During that period, the department audited processes in API production; purchasing; and project management relating to new products. They also audited business operations of subsidiaries and representative offices in India, Turkmenistan, Austria, Azerbaijan, Moldova, and Czechia. The internal auditor in the Russian Federation had completed one extensive audit and was finishing another in the first half of 2024. He also carried out several short counselling engagements.

Internal auditors identified no significant non-compliances or deviations in audit engagements. The Audit Committee had no comments on the Internal Audit performance in 2024, and their reports for 2023 and the first half of 2024.

The Committee also discussed the Internal Audit 2025 work plan. In line with best practices, *International Standards for the Professional Practice of Internal Auditing*, and legislation, the Head of Internal Audit must evaluate any starting points provided by the Audit Committee when preparing the work plan. Based on the positive experience with Internal Audit and the quality of their work, the Committee members opted not to alter any bases for the internal auditors' work in 2025. However, they recommended that Internal Audit place greater emphasis on monitoring human resource and cyber-security risks, and advancements in sustainable business practices.

Furthermore, in 2024, the Audit Committee recommended to the Supervisory Board that performance bonuses be awarded to the Head of Internal Audit for 2023 and the first half of 2024.

Internal Audit is reviewed every five years by an independent professional organisation. In accordance with the *Internal Audit Charter, Rules of Procedure of the Supervisory Board Audit Committee, International Standards for the Professional Practice of Internal Auditing – Standard 1312 and Practice Advisory 1312–3* – and the expert interpretation of the Committee of the Internal Auditors' Section with the Slovenian Institute of Auditors, the Audit Committee discussed the proposal for the selection of an external quality assessor to audit the Internal Audit performance. Based on professional competence and impartiality, they opted for ADAKTA, d. o. o. (ltd) to conduct the audit. The company conducted the majority of the audits in 2024, with the Audit Committee briefing on the audit results scheduled for 2025.

Risk management and internal controls

The Audit Committee regularly discussed business and financial risks. As regards currency risk, the focus was on foreign exchange risk related to the Russian rouble due to Krka's significant exposure. The Committee also regularly monitored credit and liquidity risks and changes in working capital at each meeting.

Internal controls and other measures adequately managed the risks. Further information on this topic is available in the section covering cooperation between the Committee and internal auditors.

Human Resource Committee

In 2024, the Human Resource Committee met three times and deliberated nine agenda items. The Committee comprises the President Dr Boris Žnidarič, and members Prof. Dr Julijana Kristl, Dr Mateja Vrečer, and Tomaž Sever. The Committee invited the President of the Management Board; the Management Board member responsible for accounting, finance, and IT; and the Supervisory Board Secretary to all meetings. In line with the *Rules of Procedure of the Management Board*, the President of the Supervisory Board had the right to attend the meetings.

Nomination of new Supervisory Board member, shareholders' representative

In 2024, the term of office of Supervisory Board member Mojca Osolnik Videmšek expired. As a result, the Supervisory Board followed the recommendations outlined in *Appendix 3A* to the *Code* and authorised the Committee to take all steps to that end. The Supervisory Board approved the candidate competency assessment profile and determined that the Supervisory Board members had the remit to nominate candidates.

The competency profile included: (a) Criteria from Articles 255 and 273 of the *Companies Act*; (b) Criteria for evaluation of a potential competitive conflict in compliance with the *Companies Act*; (c) All recommended criteria from *Appendix B* to the *Code* for evaluating nominee impartiality; (d) All recommendations from Article 12 of the *Code* concerning the selection of the supervisory board nominees; and (e) Criteria from the *Rules of Procedure of the Supervisory Board* and the Company's *Diversity Policy*.

Nominee documentation was to include: (a) A statement evidencing that the nominee meets the competency profile criteria; (b) A certificate issued by the Slovenian Directors' Association evidencing that the nominee is qualified to sit on a supervisory board or an equally valid document; (c) A statement of independence, which all members of a supervisory board must sign; and (d) A curriculum vitae. The nominee provided all requested explanations to the Supervisory Board and its Nomination Committee.

The Supervisory Board agreed with the Committee and nominated Mojca Osolnik Videmšek for election by the AGM. The 30th AGM approved the nomination.

Management Board remuneration – drafting proposals for the Supervisory Board

The Committee evaluated the work of the Management Board twice: for the entirety of 2023 and the first half of 2024. They applied financial and non-financial performance criteria outlined in the *Remuneration Policy for Management and Supervisory Bodies*, which was passed at the consultative voting by the 29th AGM.

The Committee prepared a proposal based on a written report by the Management Board, presented to the Committee by the President of the Management Board and the member of the Management Board responsible for economics and finance. The Committee proposed to the Supervisory Board variable remuneration be paid to the President of the Management Board and the Management Board members for their sound performance in 2023 and the first half of 2024.

Performance evaluation of Management and Supervisory Boards

The Supervisory Board monitors the management and business operations of the Company and the Krka Group in compliance with the legislation in force, primarily the *Companies Act*, and good practices, primarily the *Code*.

The Management Board regularly attended all Supervisory Board meetings in 2024. The President of the Management Board primarily delivered reports and answered questions on behalf of Krka, while members accountable for specific issues gave their reports.

When setting variable remuneration amounts, the Supervisory Board twice discussed the Management Board's 2024 performance as a separate agenda item. Management Board performance was evaluated based on a model and procedures described in the *Remuneration Policy for Management and Supervisory Bodies*.

The Supervisory Board regularly evaluated the work of the Management Board when discussing interim results, twice when they benchmarked Krka's performance against that of competitors, and once in the deliberation of external analysts' opinions about Krka.

The Management Board ensured the timely collection of data, reports, and information, enabling the Supervisory Board to carry out its duties effectively. The Management Board promptly and effectively acted on resolutions passed by the Supervisory Board. Between meetings, the President of the Supervisory Board and the President of the Management Board maintained communication. Throughout 2024, the Management and Supervisory Boards collaborated effectively, ultimately benefiting the Company. We assessed the Management Board's performance in 2024 as successful.

The Supervisory Board supervised Krka's operations diligently throughout the year. We, therefore, assessed our performance as successful. In line with the obligation set down in the *Articles of Association* (Item 6.18), we examined and endorsed the Company's 2025 business plan.

All members remained independent in their work in 2024. In line with the recommendations in the *Code*, we completed statements of independence, which Krka published on its website alongside the CVs of the Supervisory Board members. Should a conflict of interest arise, the *Rules of Procedure of the Supervisory Board* take precedence. A member must refrain from voting in such cases, while the Supervisory Board may also take other steps.

Krka allocated €417,050 for the work of the Supervisory Board and its committees (remuneration, attendance fees, travel expenses, other expenses) in 2024, whereas €434,830 were spent. In 2024, Krka paid €8,351 in membership fees to the Slovenian Directors' Association. In addition, Krka spent a total of €9,282 on the *IxtlanBoard* application lease fees. No other expenses were payable to external contracting partners or consultants.

Approval of the annual report and proposal for appropriation of 2024 distributable profit

The Supervisory Board discussed the contents of the 2024 Annual Report at two Supervisory Board meetings and two Audit Committee meetings. Furthermore, the Supervisory Board and Audit Committee discussed the 2024 preliminary business result estimate at their meeting of 29 January 2025.

The Supervisory Board and the Audit Committee discussed at their respective meetings of 12 March 2025 the draft 2024 annual report and the unaudited financial statements of Krka and the Krka Group. The statutory audit firm, KPMG, reported to the Audit Committee three times on the findings and 2024 audit procedures.

Supervisory Board and Audit Committee members received the draft 2024 Annual Report and the audited 2024 financial statements of Krka and the Krka Group on 25 March 2025. They discussed them at their respective meetings of 2 April 2025. Statutory auditors, KPMG, reported to the Committee and the Supervisory Board.

The 'Corporate governance statement' forms a part of the 2024 Annual Report. It illustrates key aspects of governance at Krka, particularly the composition and operations of the Company bodies, external audit, internal controls and risk management related to financial reporting, internal audit, corporate compliance, diversity policy related to representation in the management and supervisory bodies, compliance with the corporate governance code of reference, and governance in the Group. The Supervisory Board had no comments on this statement either.

Based on the review of the draft annual report and reports from the audit firm KPMG and Audit Committee, the Supervisory Board assessed that the Management Board's annual report gave a true and fair account of the events and presented a comprehensive view of Krka and the Krka Group 2024 performance, and provided detailed information that was otherwise regularly sent to the Supervisory Board throughout the financial year. As the Supervisory Board had no comments or reservations with regard to the draft annual report, the independent auditor's report, and the Audit Committee report, it unanimously approved the 2024 Annual Report at its meeting of 2 April 2025. The annual report was thereby formally adopted in accordance with Article 282 of the Companies Act and Krka's Articles of Association.

Together with the annual report, the Supervisory Board also approved the proposal for the appropriation of distributable profit. In 2024, the Company generated profit of €321,192,246.57, of which €25,002,075.07 was allocated to reserves for treasury shares and €0.00 to other profit reserves. The remaining profit of €296,190,171.50 and the retained earnings of €73,878,644.98 comprised the distributable profit, which amounted to €370,068,816.48 as at 31 December 2024.

The Management Board and the Supervisory Board proposed to the AGM that the distributable profit be appropriated as follows:

- to dividends €252,303,801.75 or €8.25 gross per share;
- to other profit reserves €58,882,507.37; and
- to be carried forward to next year €58,882,507.36.

The motion was drawn up in consideration of the number of treasury shares as at 1 April 2025. The total dividend amount is to be calculated by taking into account the number of treasury shares as at the date of the notice to the AGM. One half of the remaining distributable profit is to be allocated to other profit reserves and the other half is to be carried forward to the next year.

Conclusion

Based on our assessment, Krka and its Management and Supervisory Boards delivered excellent performance in 2024. Krka marked its 70th anniversary by achieving record sales and production of its quality, safe and efficacious products to date. The Management and Supervisory Boards plan to continue expanding operations, forecasting that over 100 million people will receive treatment with Krka's medicines in 2025.



Jože Mermal
President of the Supervisory Board