

Krka Group

Business Performance Q1 2024

David Bratož, Member of The Management Board

Brane Kastelec, Finance Director

16 May 2024

www.krka.biz

 **KRKA** | 70years

Living a healthy life.

Celebrating 70 Years Anniversary

BOLD BEGINNINGS

1954 KRKA PHARMACEUTICAL LABORATORY WAS FOUNDED
9 EMPLOYEES



FOR FUTURE GENERATIONS

RESPONSIBILITY TOWARDS NATURAL AND CULTURAL HERITAGE



GLOBAL COMPANY

ONE OF THE LEADING MANUFACTURERS OF GENERIC MEDICINES IN THE WORLD

~ 13,000 EMPLOYEES

WE ENSURE TOP QUALITY

FROM ACTIVE INGREDIENTS TO FINISHED PRODUCTS

HEALTH MATTERS

AGAINST THE MOST COMMON DISEASES OF OUR TIME



RELIABLE PARTNER

> 70 COUNTRIES

> 100 PEOPLE USE OUR PRODUCTS



Well-Diversified Activities

Providing access to high quality affordable medicines

Krka's presence on 70+ markets in 6 sales regions

49 subsidiaries outside Slovenia:
45% of all Krka Group workforce

Over 100 million people use Krka's
medicines worldwide

17.5 bn FDF sold annually in various
therapeutic groups

Operating in many low to middle income countries,
creating savings for patients & healthcare systems

Sales regions

- Region Slovenia
- Region Central Europe
- Region East Europe
- Region South-East Europe
- Region West Europe
- Region Overseas markets



Manufacturing locations

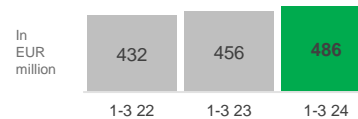
Slovenia | Russian Federation
Poland | Germany | Croatia | China

Krka Group Business Performance

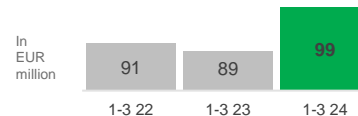
Q1 2024 Unaudited results highlights

- ✓ Record Q1 Sales accounted to €486.1m; + 6% yoy; volume: + 3%
- ✓ Strong EBITDA of €138.5m; sustaining margin of 28.5% well above guidance
- ✓ Record Q1 Net profit of €98.8m; + 11% yoy
- ✓ Sales increased in all regions except Overseas markets and all products & service groups except OTC (high base effect from Q1 2023)
- ✓ Strong demand contributed to sales increase in Rx
- ✓ Low FX volatility in Q1 → + €4.4m net financial result
- ✓ 5 new MA and 203 MA procedures finalised
- ✓ 2024 CAPEX: €27m; + 24% yoy
- ✓ Establishing JV with Laurus Labs Ltd. in India

SALES 5Y CAGR: 5.2%



NET INCOME 5Y CAGR: 7.0%



 KRKA | 70^{years}

From a small laboratory to a well established world-wide generic pharmaceutical company

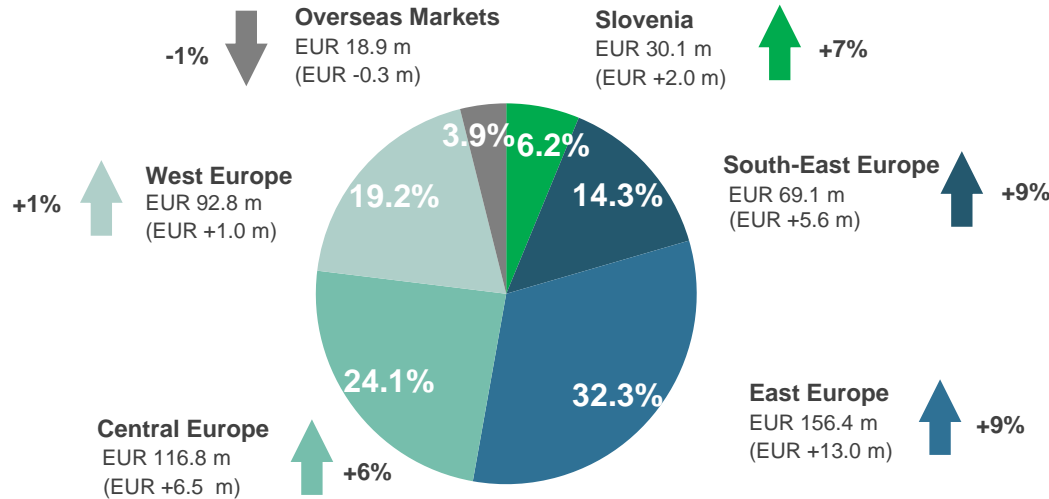
Reaffirmed 2024 guidance: sales €1,850m, net income ≈ €310m

Krka Group Sales by Regions

Continuation of strong sales dynamics

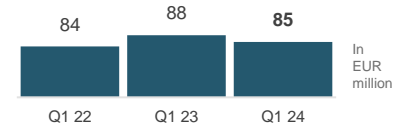


Q1 2024 sales: EUR 484.1 million of goods and services (+6% yoy; EUR +27.9 m)

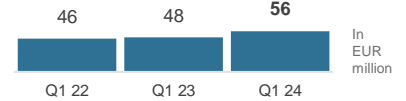


Sales activities in 71 countries all around the world

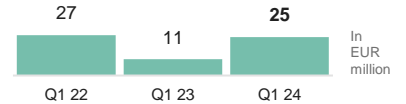
Largest market: Russian Federation (-3% yoy change)



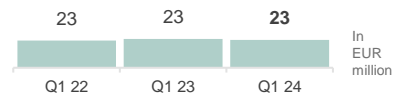
2nd market Poland (+18% yoy change)



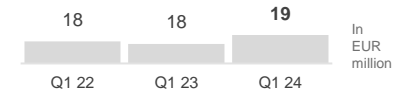
3rd market Ukraine (+135% yoy change)



4th market Germany (0% yoy change)

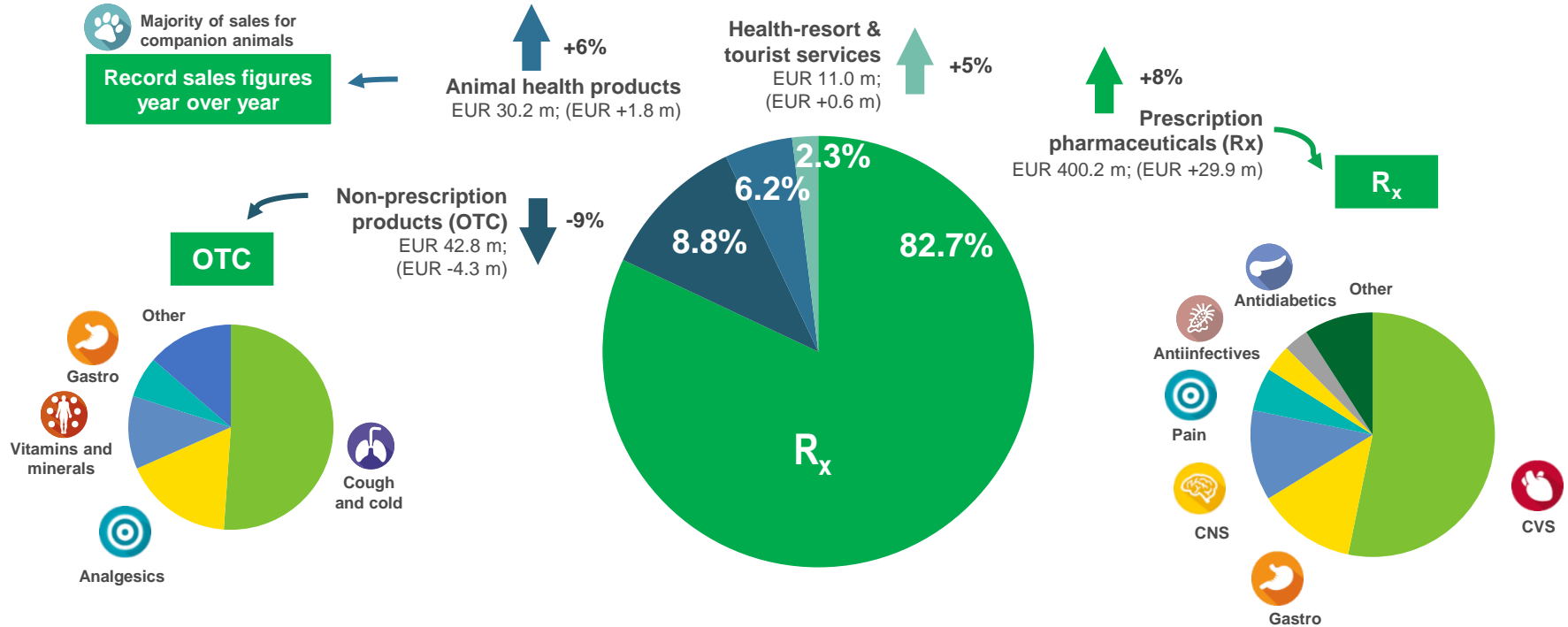


5th market Romania (+7% yoy change)



Broad Product Portfolio

Sales by products and service groups Q1 2024



Our key therapeutic areas

Representing over 80% of total sales revenue



	Cardiovascular		Central nervous system	Gastrointestinal tract	Analgesics	Diabetes
	Hypertension	Lipides				
Key therapeutic groups	Sartans, ACE inhibitors.	Statins and other hypolipemics.	Antidepressants, antipsychotics Alzheimer's & Parkinson's agents.	Proton pump inhibitors.	NSAIDs, opioids, other analgesics.	DPP-4 inhibitors SGLT-2 inhibitors sulphonylureas
Key brands*						
2023 position in Europe	The leading generic producer of sartans and ACE inhibitors. Among the leading generic producers of rosuvastatin and atorvastatin.		The leading generic producer of paliperidone, ziprasidone, and pramipexole.	Among leading producers of proton pump inhibitors – with pantoprazole and esomeprazole	The leading generic producer of tramadol and paracetamol combi. Nalgesin* is the leading naproxen product.	The leading generic producer of sitagliptin. Among the leading generic producers of gliclazide.

Research & Development

Committed to continuous development of innovative branded generic products

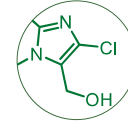
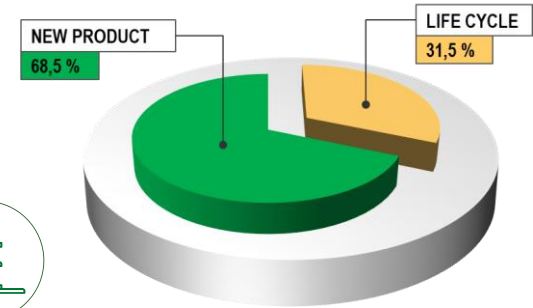
5 new MA for products in Q1 2024

203 MA procedures finalised, obtaining approvals for 174 prescription pharmaceuticals and 9 non-prescription products, thus bringing medications closer to patients in numerous markets. Completed 20 procedures and thus supplemented the range of products mainly for pet animals.

✓ Highlighted MA:

- ✓ Varesta (vortioxetine) treating depression.
- ✓ Co Amlessa Neo (perindopril arginine/amlodipine/indapamide) tablets fully vertically integrated product.
- ✓ Vitamin D3 Krka (cholecalciferol) 30,000 IU tablets.
- ✓ Cardiovascular agent containing bisoprolol in film-coated tablets and central nervous system agent containing aripiprazole in tablets in China.

Innovative Generic Manufacturer: Pioneers in Single pill combinations (SPC). We are expanding the range of innovative SPC and other cardio SPC, anticoagulants and products in the field of diabetes treatment



Strategic R&D target
≈ 10% of sales

800 experts engaged in
R&D

Over 170 products in our
pipeline

Krka's Innovative Medicines

Innovative branded generic producer with own R&D

STATE-OF-THE-ART EQUIPMENT

Delivering the most demanding projects in terms of techniques and technologies

ADVANCED PHARMACEUTICAL FORMULATIONS

Great possibility of differentiation to other generics and originator

UNIQUE STRENGTHS

Tailoring the treatment to patients needs

UNIQUE SINGLE PILL COMBINATIONS

Synergistic action & improved adherence for patients

150
SPCs

1000 products based on **250 active ingredients** (Rx, OTC & VET products)



1st generic manufacturer in the global pharma market to offer the triple SPC of perindopril, indapamide and amlodipine.

PATENT-PROTECTED INNOVATIONS

350 Patent applications for over innovations

Investments

Increasing the resilience and flexibility of our business model

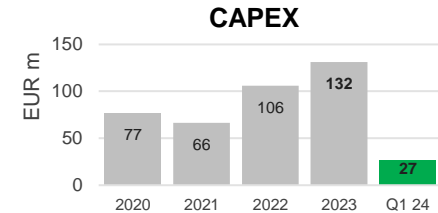
CAPEX Q1 2024: €27.0m, +24% yoy; FY 2024 plan: €150m

Aiming the investments predominantly for increasing and technologically upgrading production facilities and capacities for development and quality management.

✓ MANY UPCOMING INVESTMENT PROJECTS:

- ✓ Continuation of **Notol plant** washing room renovation, with packaging lines being replaced and upgraded, increasing the tableting and granulation capacity, and upgrading the logistic system.
- ✓ Plant for production of solid forms of medicines (**OTO**): finalizing the investment in additional capacities for the preparation of mixtures and granulation during tableting, as well as in logistics capacities.
- ✓ Lowering the temperature of the waste water at the outlet to the Krka river and increase energy efficiency through the beneficial use of waste water energy. With the investment, we follow the strategic goals of the ESG policy in the area of responsible management of natural resources.
- ✓ In **Croatia**, we are increasing the capacity for the production of veterinary products.
- ✓ In **Krško**, on the basis of the project documentation and environmental impact assessment, we obtained an integral building permit for Sinteza 2, the Chemical Analytical Center, the storage of liquid raw materials and the treatment plant. The environmental protection permit and the SEVESO permit for the plant are still in the process of being obtained. We started at the end of 2023 with the construction of a technically and technologically advanced water treatment plant, and the construction of other facilities will be postponed for a few years.

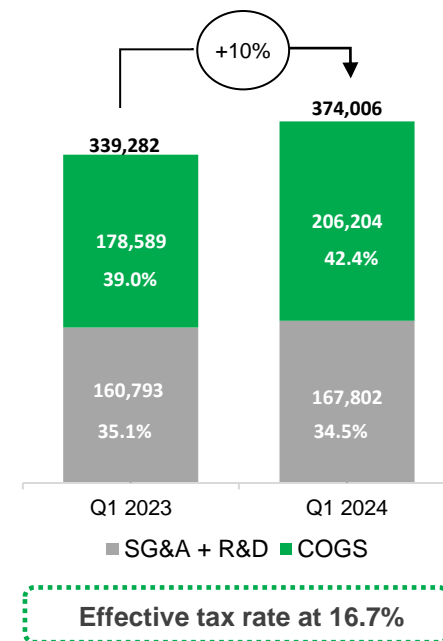
Strengthening and optimizing our vertical integration at all levels



Consolidated Income Statement

Maintaining high profitability

EUR thousand	Q1 2024	(%)	Q1 2023	(%)	YoY
Revenue	486,145	100	458,184	100	6%
Costs of goods sold	206,204	42	178,589	39	15%
Gross profit	279,941	58	279,595	61	0%
Other operating income	2,049	0	1,184	0	73%
Selling and distribution expenses	90,662	19	88,914	19	2%
R&D expenses	46,864	10	43,914	10	7%
General and administrative expenses	30,276	6	27,965	6	8%
Operating profit	114,118	23	120,094	26	-5%
Net financial result	4,456		-13,574		
Profit before tax	118,574	24	106,520	23	11%
Income tax	19,872		17,509		13%
Net profit	98,772	20	89,011	19	11%
Basic earnings per share (EPS) in €	3.21		2.87		12%

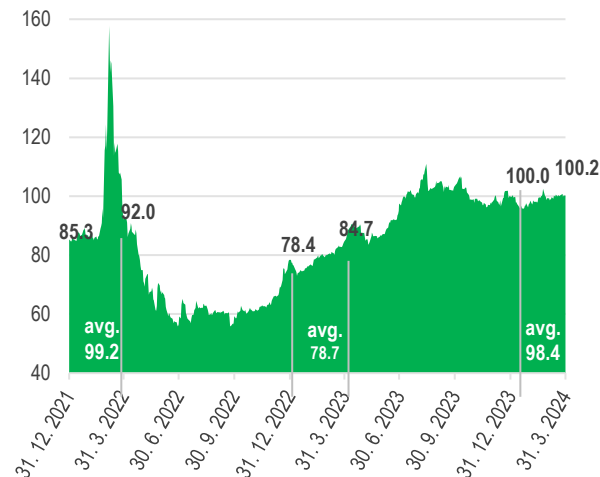


The impact of currencies on the group's results

The exchange rate of the ruble was stable in the first quarter of 2024

- ✓ The development of the **RUB, USD and PLN** exchange rates has a **significant impact on the Group's net financial result**, while the effects of other exchange rates are marginal.
- ✓ **The impact of the exchange rates on the Krka Group's net financial result was favourable in Q1 2024, but unfavourable for the upper part of the income statement.**
- ✓ In Q1 2024, the RUB recorded a minimal depreciation against the euro.
- ✓ The average value of the rouble, expressed in euros, was 20.3% lower in Q1 2024 than in the same period of the previous year.
- ✓ **The Krka Group's net financial result**, which includes exchange rate differences, interest income and expenses, the effects of financial instruments and other financial income and expenses, **totalled 4.5 million euros in the first quarter.**

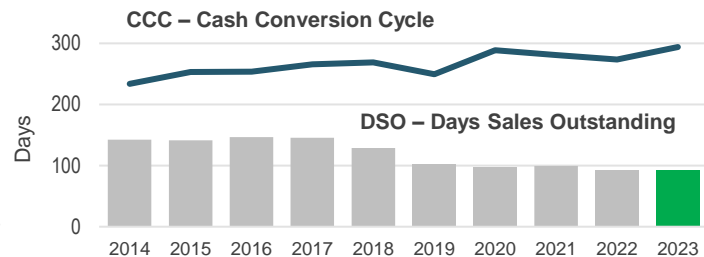
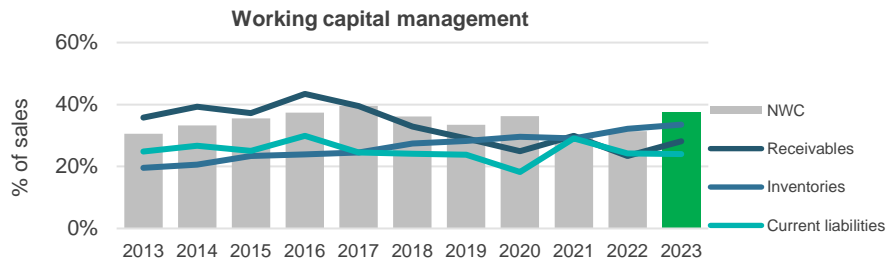
FX EUR/RUB 2022 - 2024



Consolidated Statement of Financial Position

Strong financial position without leverage burden

EUR thousand	31.3.2024	(%)	31.12.2023	(%)	change	change %
ASSETS	2,857,345	100	2,764,291	100	93,054	3%
Non-current assets	1,010,292	35	1,059,267	38	-48,975	-5%
Current assets	1,847,053	65	1,705,024	62	142,029	8%
Inventories	604,139	21	604,621	22	-482	0%
Trade receivables	565,833	20	509,070	18	56,763	11%
LIABILITIES	2,857,345	100	2,764,291	100	93,054	3%
Equity	2,275,130	80	2,181,766	79	93,364	4%
Non-current liabilities	150,847	5	149,218	5	1,629	1%
Current liabilities	431,368	15	433,307	16	-1,939	0%



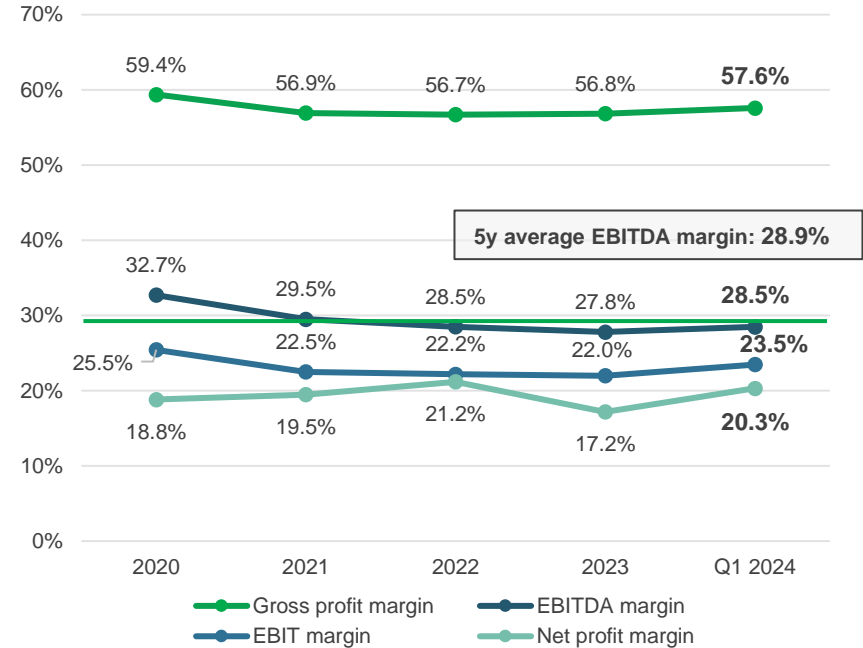
Krka Group Operating Results

Maintaining high profitability

Profitability

EUR million	Q1 2024	Q1 2023	yoy
Gross profit	279.9	279.6	0%
<i>Gross profit margin</i>	57.6%	61.0%	
EBITDA	138.5	146.2	-5%
<i>EBITDA margin</i>	28.5%	31.9%	
EBIT	114.2	120.1	-5%
<i>EBIT margin</i>	23.5%	26.2%	
Net profit	98.8	89.0	11%
<i>Net profit margin</i>	20.3%	19.4%	

Margins development

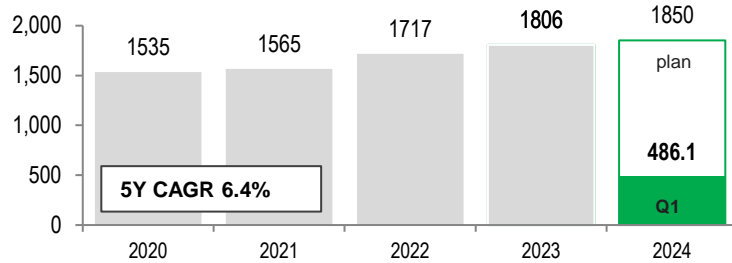


Performance Indicators

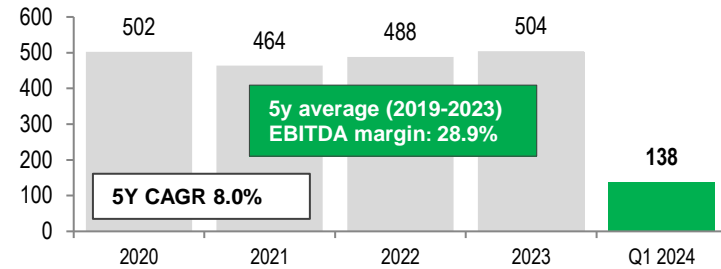
Maintaining long-term momentum



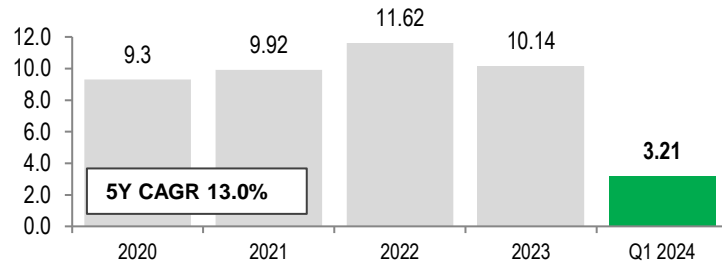
Revenue in € million



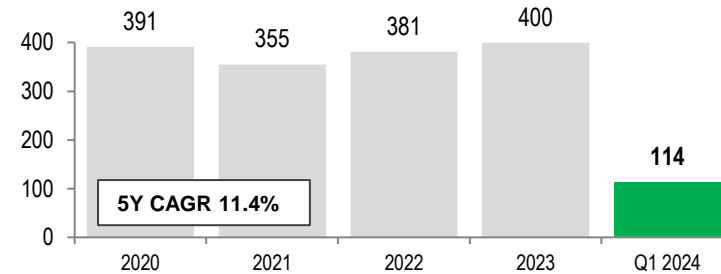
EBITDA in € million



EPS in €



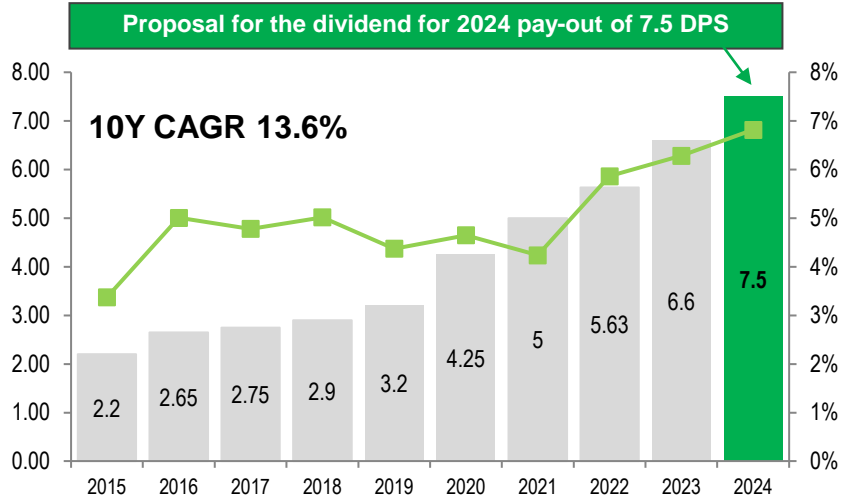
EBIT in € million



Dividend Policy and Share Buyback

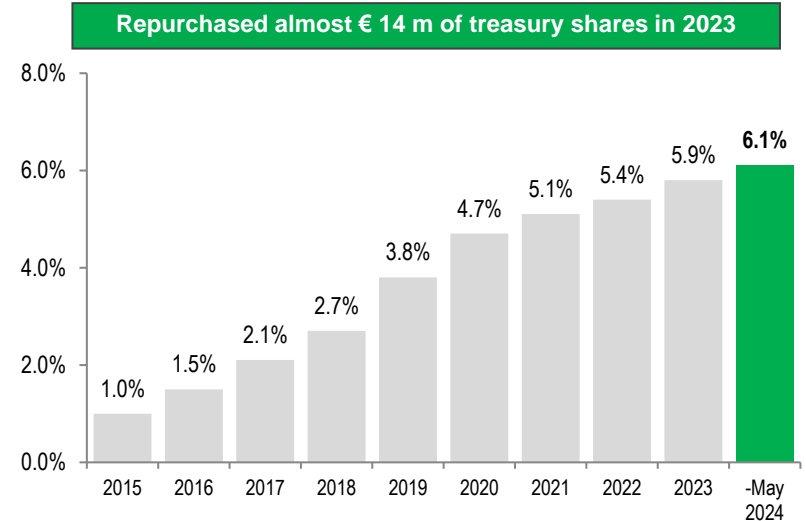
Management committed to stable capital allocation

DPS and dividend yield* for the business year



Nearly € 1,190 m allocated for dividends in past 10y

Treasury shares as of total

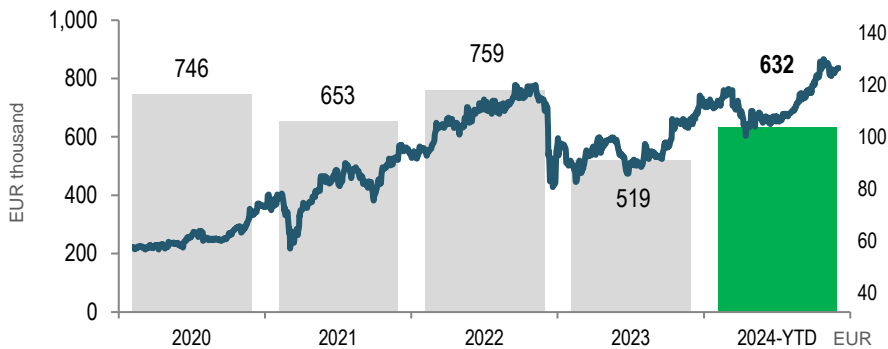


Good €138 m allocated for treasury shares in past 10y

Share Information and Shareholder Structure

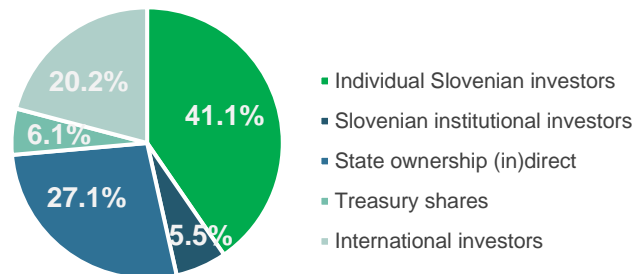
Stable shareholder structure (KRKG SV)

Average daily turnover and stock price YTD



- ✓ Market capitalization: EUR 4.1 billion
- ✓ P/E: 10.02
- ✓ No. of shareholders: 47.072
- ✓ Shares issued: 32,793,448
- ✓ Treasury shares: 1,994,352
- ✓ Market maker in place since FEB 2019

Largest shareholders as of 6 May 2024



Largest Shareholders		(%)
State ownership (in)direct		27.10
OTP BANK, D.D.*		4.52
ERSTE GROUP BANK AG PBZ CROATIA OSIGURANJE*		4.06
CLEARSTREAM BANKING SA*		3.14
Luka Koper, d. d.		1.32
STATE STREET BANK AND TRUST.*		1.02
KDPW*		1.02
PRIVREDNA BANKA ZAGREB D.D.*		0.97
Total		43.15

* Fiduciary account

ESG Governance of Krka Group

Adopting ESG policy & ESG goals

Material ESG Topic Groups of the Krka Group



PRODUCT QUALITY & PATIENT SAFETY



TALENT ATTRACTION & RETENTION



GOOD LEADERSHIP & GOVERNANCE PRACTICES



ACCESSIBLE HEALTHCARE



PLANET & CLIMATE CHANGE



COMPLIANCE, INTEGRITY & TRANSPARENCY

Key Activities:

- ✓ Renewal of the [ESG policy](#) and integration of sustainability into the Krka Group Development Strategy (2024-2028), including strategic [ESG goals](#).
- ✓ Building awareness of the importance of sustainability, education, promotion of a sustainable culture and responsible behaviour in all business areas of Krka.
- ✓ The first independent ESG- rating [S&P Global CSA Score](#) (ranked among the TOP 10% of pharmaceutical companies) received by the rating agency S&P Global.
- ✓ The initiation of CSRD/ESRS requirements implementation project (European Sustainability Reporting Standards).
- ✓ Further ESG governance upgrade.



Sustainability Footprint

Planet & climate change



E – Environmental ESG Goals

KPI	Objective by 2028	2023	2022
Specific use of energy (TJ/billion pieces)	< 80	73.2	77.4
Scope 1 and 2 emission reduction compared to 2019	-48%*	-4.1% yoy	-3.3% yoy
Reduction of specific waste	-3%	-5.4%	**

- **Ensure an environmental management system in line with national legal requirements, EU directives, and ISO 14001 standards.**
- Ensure a high level of environmental protection throughout the entire product life cycle.
- **Ensure efficient management of raw materials, products, waste, and other materials, as well as the efficient use of energy and water.**
- **Implement circular economy practices** (use of regenerated solvents, reuse of water, separate collection and delivery of waste for processing, etc.).
- In line with the action plan and considering the availability of new technologies and carbon-neutral energy sources (e.g., renewable energy, carbon-neutral electricity, and fuels), **undertake activities to reduce the carbon footprint.**
- By reducing environmental impacts, ensure the preservation of biodiversity.
- Gradually increase the share of electric vehicles in its fleet.

Sustainability Footprint

Product quality & patient safety, Talent attraction & retention, Accessible healthcare



S – Social ESG Goals

Ratio	Objective by 2028	2023	2022
Critical non-compliances established in inspections	0	0	0
Complaints to released batches ratio < 1%	< 1%	0.00%	0.64%
Proportion of employees trained in sustainability, corporate compliance and human rights	All employees every 2 years	98.9%	all new employees
Proportion of revenue allocated for education	0.35-0.50%	0.48%	0.40%
Training hours per employee	40	42	44.8
LTIFR	< 5	2.46	4
Hours of training in health and safety at work	> 10,000	23,122	13,703
Average sales volume increase (per year)	5%	5.0%	4.4%
Increase the number of patients who take Krka's CVS agents – direct contribution to the SDG goal from the 2030 Agenda for Sustainable Development	Average 3%-annual growth	3%	2.3%
R&D expenses/Revenue	10%	9.9%	9.5%
Ensure continuous supply of medicines and monitor satisfaction of direct customers by the CSI index	CSI index averaging > 80%	91.9%	93%



- Ensure development in compliance with the strictest quality, safety and efficacy standards for products in all markets.
- **Maintain balanced gender structure of all employees and senior managers and continue to pursue the policy of equal employment opportunities regardless of gender and age.**
- **Maintain the dynamics of contributions to the local community development** by further investing in projects related to health and quality of life, charity and volunteering, projects for natural environment protection, sports, culture, non-governmental and humanitarian organizations.

Sustainability Footprint

Good leadership & governance practices, Integrity & transparency



G – Governance ESG Goals

KPI	Objective by 2028	2023	2022
Investments – Target CapEx (€ million)	140 per year on average	132	106
EBITDA margin	> 25%	27.9%	28.5%
Net profit of majority shareholders for dividend pay-outs	50% at least	56.3%	56.8%
Corrective actions as regards ethics in clinical trials	0	0	0
Documented cases of fraud, corruption, violation of compliance, unethical, unprofessional, or unlawful conduct of employees	0	0	0
Violation of human rights	0	0	0
Claims due to unethical or legally inappropriate marketing activities	0	0	0
Claims due to marketing promotion statements or off-label promotion	0	0	0
Pursue a zero rate of adjustments and penalties in tax audits or inspections	0	0	0

- **Strengthen the vital elements of vertically integrated business model, its flexibility and resilience by targeting CapEx.**
- **Apply good practices when appointing Management and Supervisory Board members:** (i) Consider professionalism and qualifications for the function; (ii) Regard at least profession, age (transfer of experience), and gender diversity; (iii) Target the 40-33-2026 gender diversity model.
- **Maintain certification according to ISO/IEC 27001.**
- **Provide for uninterrupted supply chain operations.**

2023 performance and 2024 plan

In line with strategic goals

2023 performance

Sales revenue:
EUR 1,806 million
+5% compared to 2022

Net income
EUR 314 million



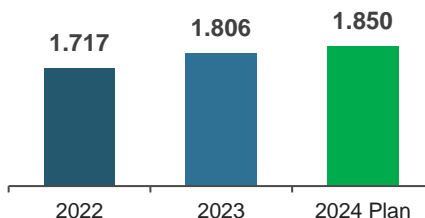
CapEx:
EUR 132 million

+24% compared to 2022

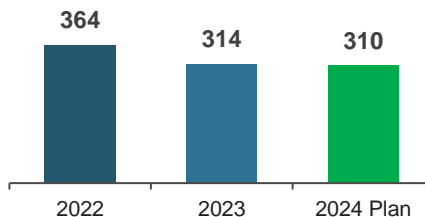


Number of employees: 12.753

Sales revenue



Net income



2024 plan

Sales revenue:
EUR 1.850 million
+2.4% compared to 2023

Net income:
good EUR 310 million



CapEx:
Good EUR 150 million

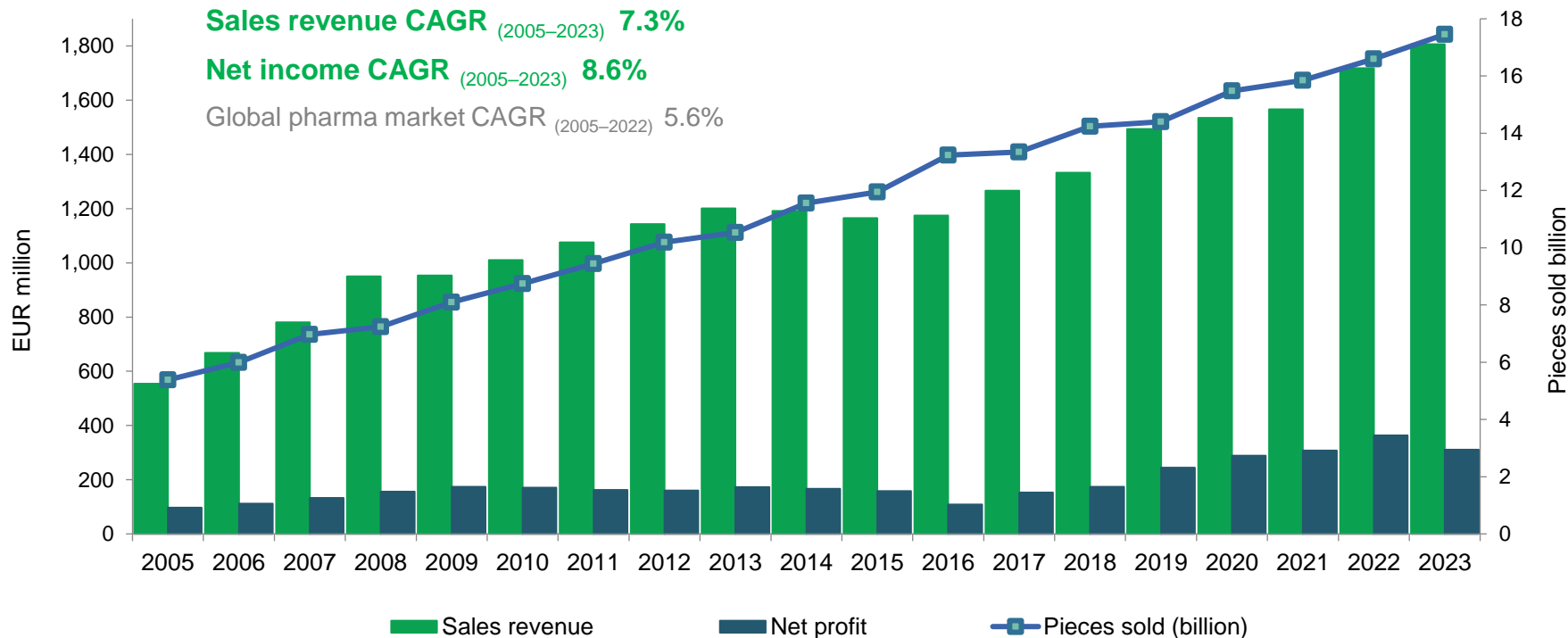
+14% compared to 2023



3% increase in number of employees

Long-term Stable Operating Business Growth

Growing faster than global pharmaceutical market



 KRKA | 70 *years*

Living a healthy life.

Disclaimer

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