



PRESS RELEASE

Krka Publishes Unaudited Financial Statements for 2020

Novo mesto, 18 March 2021

Krka, d. d., Novo mesto published today Unaudited Financial Statements of the Krka Group and Krka, d. d., Novo mesto (Company) for 2020, on the Ljubljana Stock Exchange website. The statements were discussed at the Supervisory Board meeting yesterday. The Krka Group generated revenue in total of €1,534.9 million, up 3% on 2019, reaching the highest value in the history of Krka. Unaudited net profit of the Krka Group amounted to €288.9 million, a €44.6 million or 18% year-on-year increase, and was also the highest up to date. Operating results of the past year show that our vertical integrated business model has shown resilience in ensuring our flexibility and responsiveness to the ever-changing and challenging situations. The 2020 Annual Report of Krka will be published on Thursday, 15 April 2021.

Financial Highlights

| € thousand | Krka Group | | | Company | | |
|---------------------------------------------------------------------------|------------|-----------|---------------|-----------|-----------|---------------|
| | 2020 | 2019 | Index 2020/19 | 2020 | 2019 | Index 2020/19 |
| Revenue | 1,534,941 | 1,493,409 | 103 | 1,447,112 | 1,390,248 | 104 |
| – Revenue from contracts with customers on sales of products and services | 1,529,959 | 1,489,080 | 103 | 1,222,011 | 1,195,677 | 102 |
| Gross profit | 911,325 | 847,361 | 108 | 823,007 | 792,879 | 104 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 502,432 | 385,437 | 130 | 424,028 | 345,929 | 123 |
| Operating profit (EBIT) | 390,744 | 274,195 | 143 | 338,882 | 263,852 | 128 |
| Profit before tax (EBT) | 338,992 | 284,368 | 119 | 297,831 | 283,511 | 105 |
| Net profit | 288,949 | 244,272 | 118 | 258,474 | 249,411 | 104 |
| R&D expenses | 153,447 | 152,421 | 101 | 150,727 | 155,495 | 97 |
| Investments | 76,613 | 112,568 | 68 | 61,311 | 90,481 | 68 |

Performance Ratios

| | Krka Group | | Company | |
|-------------------------|------------|-------|---------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Gross profit margin | 59.4% | 56.7% | 56.9% | 57.0% |
| EBITDA margin | 32.7% | 25.8% | 29.3% | 24.9% |
| EBIT margin | 25.5% | 18.4% | 23.4% | 19.0% |
| EBT margin | 22.1% | 19.0% | 20.6% | 20.4% |
| Net profit margin (ROS) | 18.8% | 16.4% | 17.9% | 17.9% |
| Return on equity (ROE) | 16.9% | 15.2% | 15.0% | 15.5% |
| Return on assets (ROA) | 13.1% | 11.7% | 11.9% | 12.3% |
| Liabilities/Equity | 0.276 | 0.310 | 0.232 | 0.280 |
| R&D expenses/Revenue | 10.0% | 10.2% | 10.4% | 11.2% |

The 2020 data in the above tables is unaudited. All performance ratios of the Krka Group have improved year on year, and were the highest in the last five years.

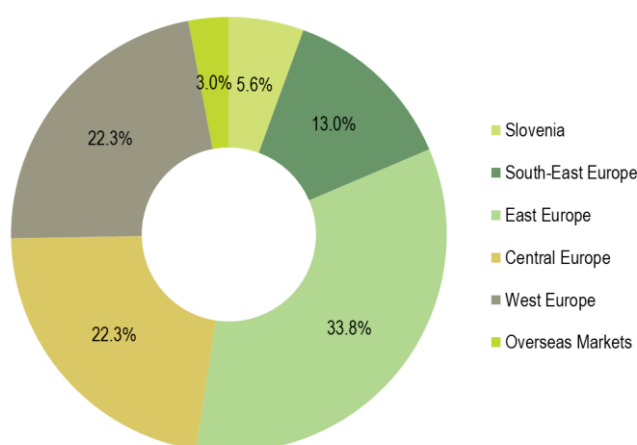
Sales

The Krka Group generated revenue in total of €1,534.9 million, of which revenue from contracts with customers on sales of products and services amounted to €1,530.0 million, while revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. The Krka Group revenue from contracts with customers on sales of products and services was €40.9 million or 3% higher over the 2019 results. Sales volume increased by 7%.

Regions East Europe, South-East Europe, West Europe and Central Europe recorded sales growth. Sales of prescription pharmaceuticals and animal health products grew.

Krka Group Product and Service Sales by Region

| € thousand | 2020 | 2019 | Index 2020/19 |
|-------------------|------------------|------------------|---------------|
| Slovenia | 85,138 | 92,375 | 92 |
| South-East Europe | 199,406 | 191,320 | 104 |
| East Europe | 517,231 | 481,155 | 107 |
| Central Europe | 341,463 | 339,574 | 101 |
| West Europe | 341,057 | 336,098 | 101 |
| Overseas Markets | 45,664 | 48,558 | 94 |
| Total | 1,529,959 | 1,489,080 | 103 |



Region East Europe generated €517.2 million, up 7% compared to 2019, and was the largest region of the Krka Group in terms of sales. In the Russian Federation, product sales were valued at €326.9 million, a 5% rise compared to 2019. Growth expressed in the Russian rouble was 17%. In Ukraine, product sales added up to €86 million resulting in 8% growth. In Uzbekistan, our sales of products totalled €26.5 million, an 18% year-on-year increase. We also recorded growth in all other regional markets, except in Mongolia.

Region Central Europe, comprising the Visegrad Group and the Baltic States, followed with €341.5 million in sales. We recorded 1% growth compared to the year before, sales

denominated in local currencies were higher. Poland, the leading market, generated €163 million in product sales and recorded 2% growth. Sales growth denominated in the zloty reached 5%. Sales also went up in Latvia and Estonia.

Region West Europe generated €341.1 million and was the third largest Krka Group region in terms of sales value. We recorded a 1% increase compared to the year before. Sales volume increased by 7%. Germany generated the strongest sales of €90.9 million. It was followed by the Scandinavian countries, France, Spain, and Italy. We recorded the highest sales growth in Benelux (29%), France (22%), Austria (19%), Italy (10%), Portugal (7%), and Germany (6%).

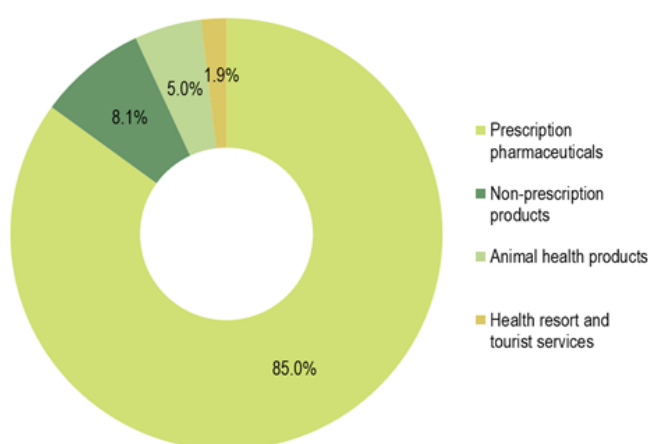
In Region South-East Europe, product sales were valued at €199.4 million, a 4% rise compared to 2019. Romania, which generated sales of €58.1 million, and Croatia with €35.3 million were our two leading markets in the region. We recorded the highest sales growth rates in small regional markets of Albania, Montenegro, and Kosovo, and in large regional markets of North Macedonia, Bulgaria, and Serbia.

In Slovenia, sales reached €85.1 million, down 8% compared to 2019. Products, recording 5% sales growth, constituted the major part of sales totalling €55.4 million. Health resorts and tourist services yielded €29.8 million, a 25% drop compared to 2019. The fall resulted from the restrictions passed for curbing the COVID-19 pandemic.

Region Overseas Markets accounted for a 3% share of total Krka Group sales and generated product sales worth €45.7 million, a 6% year-on-year drop. While growth was recorded in most markets of the region, sales decline was primarily a consequence of lower sales to Iran.

Krka Group Sales by Product and Service Group

| € thousand | 2020 | 2019 | Index 2020/19 |
|-------------------------------------|------------------|------------------|---------------|
| Human health medicines | 1,424,292 | 1,380,512 | 103 |
| – Prescription pharmaceuticals | 1,300,640 | 1,247,250 | 104 |
| – Non-prescription products | 123,652 | 133,262 | 93 |
| Animal health products | 75,913 | 69,094 | 110 |
| Health resorts and tourist services | 29,754 | 39,474 | 75 |
| Total | 1,529,959 | 1,489,080 | 103 |



The Krka Group sales of prescription pharmaceuticals amounted to €1,300.6 million, up 4% year on year. All regions except Overseas Markets recorded sales growth: East Europe 11%; South-East Europe 5%; Slovenia 2%; West Europe 1%; and Central Europe 1%. Among 10 largest individual markets, sales of prescription pharmaceuticals saw the highest growth in relative terms in Ukraine, the Russian Federation, and Germany, and among other markets in France, Benelux, and Belarus.

Medicines for the treatment of cardiovascular diseases, the central nervous system, and gastrointestinal tract remained our top-ranking therapeutic classes of prescription

pharmaceuticals in 2020.

The 10 leading prescription pharmaceuticals in terms of sales were product groups containing: valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox); perindopril (Prenessa, Co-Prenessa, Amlessa, Co-Amlessa, Roxiper, Roxampex); losartan (Lorista, Lorista H, Lorista HD, Tenloris); atorvastatin (Atoris); pantoprazole (Nolpaza); rosuvastatin (Roswera, Co-Roswera); esomeprazole (Emanera); enalapril (Enap, Enap H, Enap HL, Elnap); candesartan (Karbisi, Karbicombi, Kandoset); and tramadol (Doreta, Tadol). All pharmaceuticals listed above are marketed under different brand names in individual countries.

Sales of non-prescription products totalled €123.7 million, a 7% year-on-year drop, and accounted for 8.1% of total sales. The COVID-19 pandemic and decreased number of pharmacy customers negatively affected our sales of non-prescription products. The incidence of common cold and flu also declined due to the measures associated with the pandemic, which decreased the demand for cough and cold products. They represent our most important group of non-prescription products. Septolete, Herbion, Nalgesin, and Bilobil are our most important non-prescription product brands in terms of sales.

Sales of animal health products grew by 10% and amounted to €75.9 million (5% of total sales). The combination of milbemycin and praziquantel (Milprazon) was our most important animal health product in terms of sales in 2020, followed by products containing fipronil (Fypryst, Fypryst Combo), florfenicol (Floron), enrofloxacin (Enroxil), and products combining pyrantel and praziquantel (Dehinel, Dehinel Plus).

Sales of health resorts and tourist services recorded €29.8 million, down 25% compared to 2019 (1.9% share of total sales).

Research and Development

In 2020, we obtained marketing authorisations for 20 new products: 16 prescription pharmaceuticals, two non-prescription products, and two animal health products. We completed more than 200 various registration procedures granting us marketing authorisations for new products and the established ones for sale in new markets.

We filed 8 patent applications for technological solutions we have developed and evaluated as inventions. Based on priority applications from 2019, we submitted 6 international and one regional patent application. We were granted 8 patent rights in several countries. More than 200 patents filed by Krka are currently in force.

We filed 55 applications for Krka trademarks in Slovenia, and 41 international and 51 national trademark applications. In total, we have registered more than 1,100 trademarks in several countries.

We received marketing authorisations for prescription pharmaceuticals containing new active ingredients:

- Xerdoxo or Rivarolto (rivaroxaban) film-coated tablets in four strengths indicated for the prevention of atherothrombotic events in adults with various cardiovascular diseases;
- Ticabril or Atixarso (ticagrelor) film-coated tablets for patients with acute coronary syndrome, which reduces risk of cardiovascular events, i.e. myocardial infarction and stroke;
- Erlotinib Krka (erlotinib) film-coated tablets in three strengths indicated for the treatment of patients with metastatic non-small cell lung cancer and in combination with another medication also for the treatment of pancreatic cancer;
- Lenalidomide Krka (lenalidomide) hard capsules indicated for the treatment of various types of blood cancer as monotherapy or in combination with other medicinal products;
- Anastrozole Krka (anastrozole) film-coated tablets indicated for the treatment of various types of breast cancer;
- Efigalo or Fingod (fingolimod) hard capsules used to treat multiple sclerosis;
- Lacosabil or Lydraso (lacosamide) film-coated tablets in four strengths used for the treatment of epilepsy;
- Hydroxychloroquine sulfate Krka (hydroxychloroquine) film-coated tablets.

We obtained marketing authorisations for Olsitri (olmesartan/amlodipine/hydrochlorothiazide) film-coated tablets in five strengths, our new single-pill cardiovascular agent, and an antidiabetic Maymetisi (sitagliptin/metformin) film-coated tablets.

An important achievement in 2020 was the first marketing authorisation in China. We obtained approval for the antiepileptic pregabalin in hard capsule dosage form, in two strengths with two equal indications as the originator, i.e. for the treatment of postherpetic neuralgia and fibromyalgia.

We received marketing authorisations for new pharmaceutical forms: Dekenor or Dexfenia or Dexketia (dexketoprofen) film-coated tablets – this established active ingredient is indicated for symptomatic treatment of mild to moderate pain; and Algominol (metamizole) film-coated tablets used to relieve severe pain.

Doreta SR (tramadol/paracetamol) prolonged-release tablets indicated for the treatment of moderate to severe pain had been proven safe, so we obtained marketing authorisations again.

We received new Certificates of Suitability to the monographs of the European Pharmacopoeia (CEP) for our active ingredients rabeprazole for the treatment of stomach problems and a cardiovascular agent rosuvastatin, and were granted marketing authorisations.

We extended our range of non-prescription products with:

- A new formulation of B-Complex (thiamine/riboflavin/pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets, which is the only approved product with this vitamin B combination. It is indicated for prevention and treatment of hypovitaminosis B, avitaminosis B, increased body demand, malabsorption, and various other severe forms of vitamin B deficiency;
- Flebaven 1000 in a new pharmaceutical form, indicated for the treatment of symptoms of chronic venous insufficiency in adults and for the symptomatic treatment of deteriorated hemorrhoid-related problems in adults. The product was authorised in the Russian Federation.

We added the following products to our animal health range:

- As the first generic we obtained marketing authorisation for the fixed-dose combination FlorFlu or Flovuxin (florfenicol/flunixin) solution for injection, available in two different bottle volumes. Administered by a single injection, the combination of active substances has an antimicrobial, analgesic, and anti-inflammatory effect. It is indicated for the treatment of respiratory tract infections in cattle;
- We obtained marketing authorisation for Tuloxin or Tulaxa (tulathromycin) 25 mg/ml solution for injection in three different bottle volumes. Tulathromycin is an advanced antimicrobial used to treat bacterial infections of the respiratory tract in pigs.

Investments

In 2020, the Krka Group allocated €76.6 million to investments, of that €61.3 million to the controlling company. We primarily invested in development capacities, manufacturing upgrades, quality management, and our own production-and-distribution centres across the world. **In this period, our investments lagged behind the plan due to the COVID-19 pandemic impact on investments, primarily construction industry, yet with no material impact on the realisation of the related strategic guidelines.**

We built a multipurpose warehouse at our central site in Ločna, Novo mesto, to provide for additional storage space for incoming materials and finished products. The new capacity improved production flexibility, product availability, and market supply. In 2020, we built and equipped a room in the raw materials warehouse for a two-way flow between the multipurpose warehouse, raw materials warehouse, and weighing rooms. We apportioned €34.6 million to the investment.

Notol 2, our state-of-the-art facility for manufacturing solid dosage forms, is also located in Ločna, Novo mesto. The growing need for extra production capacities has incited us to acquire additional technological equipment. We continued equipping a new packaging facility, which started in 2019. The investment was estimated at €41 million. In 2020, we allocated €17 million for it.

In Krško, we constructed a new warehouse for raw materials used in chemical and pharmaceutical production. The investment was estimated at €8.2 million. We plan to build new capacities for the development and production of active ingredients at the same site.

The high-capacity packaging line purchased for the Ljutomer production plant will allow for increased packaging output of lozenges and tablets. The warehousing section of the plant was refurbished into a temporary storage room in compliance with the standards of good warehousing practice and health and safety at work. We apportioned €5.7 million to the investments.

We have been making low investments into the refurbishment of Notol, OTO (solid dosage form production plant), and Beta plants. In 2020, €5.1 million was invested in the renewal of systems and devices.

The Krka-Rus plant in the industrial zone of Istra in the north-western part of Moscow is one of the key investments in Krka subsidiaries abroad. The plant manufactures more than 80% of products intended for the Russian market, giving us the status of a domestic producer in the Russian Federation. In the next years, we plan to increase production and laboratory capacities. The investment was estimated at €35 million. In 2020, we allocated €5 million for it.

In 2020, we continued making purchases of manufacturing and quality control equipment for production rooms taken on lease for our joint venture Ningbo Krka Menovo in China. In these production rooms, we manufacture products for markets outside China, and since January 2021, the first product intended for the Chinese market.

Employees

At the end of 2020, the Krka Group had 11,677 employees, of which 5,418 worked abroad, a good 46% of the total Krka Group headcount. The proportion of Krka Group employees with at least university-level qualifications was 51%, of that 206 employees held doctoral degrees. Together with agency workers, the Krka Group had 12,631 employees.

In Slovenia, the number of employees increased by 262 or 4%. In 2020, we employed 453 people on account of replacements and retirements of employees in Slovenia.

Share and Investor Information

In 2020, the price of Krka share on the Ljubljana Stock Exchange increased by 25%, reaching €91.40 at the end of the year. Market capitalisation of Krka amounted to €3 billion.

At the end of the year, Krka had a total of 47,369 shareholders. The shareholding structure, with 38.2% of domestic retail investors (natural persons) and 23.2% of foreign investors, is stable and without major changes.

In 2020, the company allocated short of €26 million to treasury share purchasing and €133 million to dividend payout. The company acquired 307,522 treasury shares, and as at 31 December 2020 held a total of 1,541,774 treasury shares, accounting for 4.701% of share capital.

In 2021, Krka acquired 30,443 treasury shares. At the moment, Krka holds 1,572,217 treasury shares, accounting for 4.794% of share capital.

Jože Colarič appointed President of the Management Board and CEO

At its meeting of 27 January 2021, the Supervisory Board appointed the current President of the Management Board and Chief Executive Officer Jože Colarič for another six-year term commencing on 1 January 2022. The Supervisory Board also authorised him to draw up a proposal for appointing other members of the Management Board by November 2021 at the latest. The six-year term of office of the current Management Board members expires on 31 December 2021.