

PRESS RELEASE

Novo mesto, 20 May 2021

Krka Reports First Quarter 2021 Business Results

In the first quarter of 2021, the Krka Group generated total revenue of €395.8 million, a 14% decrease compared to the first quarter last year, yielding €86.4 million of net profit, up 1% year-on-year. The Supervisory Board of Krka discussed the Q1 2021 Business Report of the Krka Group and Company at its regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič explained: 'In the first quarter of 2021, the Krka Group performed successfully and according to our expectations. We recorded the second highest sales total in the first quarter and the highest quarterly net profit to date. The first quarter last year was extraordinary as the demand peaked on the back of the first wave of the COVID-19 pandemic, resulting also in high sales. Besides that, certain cost items dropped owing to the pandemic, which further increased operating profit of the Krka Group. Because of this, the first quarters of 2020 and 2021 do not lend themselves to direct comparison. Set side by side with the first quarter of 2019, the Krka Group increased sales by 5%, operating profit by 33%, and net profit by 23% this year. We maintained a high level of profitability. The pandemic still impacts marketing activities. In the first quarter of the year, it affected sales of certain product groups, for example antibiotics, seasonal non-prescription products, and health resort and tourist services. We allocated 9.9% of revenue to research and development. We continue to provide for health and protection of our employees and uninterrupted supplies of all our products and pursue our set goals.'

Financial Highlights

€ thousand	Krka Group			Company		
	Q1 2021	Q1 2020	Index	Q1 2021	Q1 2020	Index
Revenue	395,797	462,852	86	357,257	434,883	82
– Of that revenue from contracts with customers on products and services	394,523	461,729	85	307,264	371,258	83
Gross profit	228,022	277,759	82	208,794	253,040	83
Earnings before interest, tax, depreciation and amortisation (EBITDA)	123,580	162,039	76	108,411	147,014	74
Operating profit (EBIT)	96,260	133,926	72	87,049	126,154	69
Profit before tax (EBT)	101,147	101,187	100	91,595	94,776	97
Net profit	86,355	85,182	101	79,495	83,375	95
R&D expenses	39,091	37,618	104	38,704	38,052	102
Investments	9,779	14,888	66	7,902	9,808	81

Performance Ratios

	Krka Group		Company	
	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Gross profit margin	57.6%	60.0%	58.4%	58.2%
EBITDA margin	31.2%	35.0%	30.3%	33.8%
EBIT margin	24.3%	28.9%	24.4%	29.0%
EBT margin	25.6%	21.9%	25.6%	21.8%
Net profit margin (ROS)	21.8%	18.4%	22.3%	19.2%
Return on equity (ROE)	19.2%	20.2%	17.4%	19.6%
Return on assets (ROA)	15.1%	15.3%	14.2%	15.4%
Liabilities/Equity	0.263	0.324	0.220	0.257
R&D expenses/Revenue	9.9%	8.1%	10.8%	8.7%

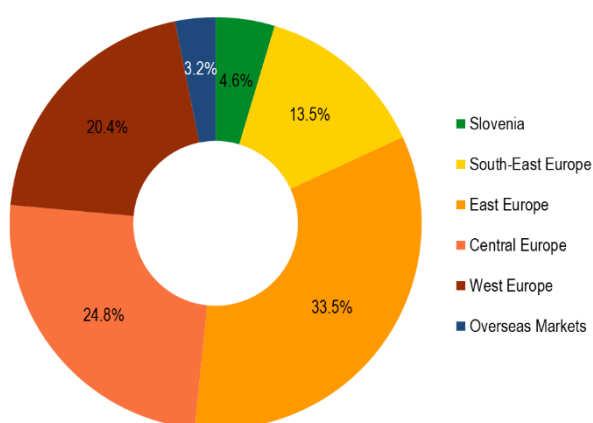
We generated operating profit of €96.3 million, down 28% on the same period last year and up 33% on the first quarter of 2019. We created positive net financial result of €4.9 million owing to favourable currency movements. Net profit of the Krka Group amounted to €86.4 million, a 1% year-on-year increase and a 23% rise on the first quarter of 2019.

Sales

In the first quarter of 2021, the Krka Group generated total revenue of €395.8 million, a 14% year-on-year decline. Of that, revenue from contracts with customers on sales of products and services amounted to €394.5 million. The difference is other sales revenue. Compared to the first quarter of 2019, sales went up by 5%.

Product and Service Sales by Region

€ thousand	Krka Group				
	Q1 2021	Q1 2020	Index 2021-20	Q1 2019	Index 2021-19
Region Slovenia	18,270	23,325	78	22,006	83
Region South-East Europe	53,276	63,794	84	50,409	106
Region East Europe	132,122	153,082	86	122,091	108
Region Central Europe	97,805	113,706	86	85,862	114
Region West Europe	80,535	94,312	85	84,285	96
Region Overseas Markets	12,515	13,510	93	12,635	99
Total	394,523	461,729	85	377,288	105



Region East Europe was the largest region of the Krka Group in terms of sales and generated €132.1 million or 33.5% of total sales. Set side by side with the same period last year, sales declined by 14%. Sales, however, went up by 8% on the first quarter of 2019. In the Russian Federation, product sales reached €79.4 million, down 18% year on year, while sales denominated in the national currency climbed by 5%. In Ukraine, we generated €22 million by product sales, 12% less than in the same period last year. We recorded sales growth in Uzbekistan, Azerbaijan, Armenia, Georgia, Mongolia, and Turkmenistan.

Region Central Europe, comprising the Visegrad Group and the Baltic states, followed as second largest region. **Sales amounted to €97.8 million, a 14% year-on-year downturn, but increased by 14% on the first quarter of 2019, accounting for 24.8% of total Krka Group sales.** Poland remained the leading regional market and recorded product sales of €47.5 million, a 9% year-on-year drop. In Latvia we recorded slight growth.

Our third largest region, Region West Europe, recorded sales total of €80.5 million or 20.4% of total Krka Group sales. Year on year, sales presented a 15% fall. Sales were the highest in Germany, the Scandinavian countries, and France. In France, we recorded the steepest absolute sales growth.

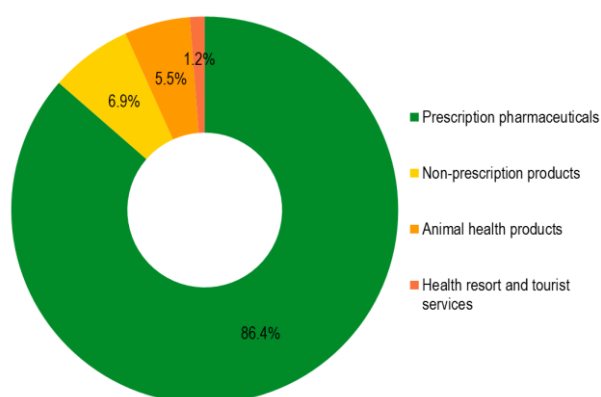
Region South-East Europe accounted for 13.5% of overall Krka Group sales totalling €53.3 million, 16% down on the same period last year, but a 6% increase on the first quarter of 2019. Romania and Croatia attributed most substantially to sales total. Sales growth was recorded in Serbia, Kosovo, Albania, and Montenegro.

Region Slovenia reached sales of €18.3 million, accounting for 4.6% of total Krka Group sales. Product sales of €13.4 million constituted the bulk. Sales of prescription pharmaceuticals in the amount of €9.4 million accounted for 70% of product sales. Health resorts and tourist services generated €4.9 million, a 30% year-on-year downturn.

Region Overseas Markets generated product sales totalling €12.5 million, a 7% decline on the same period last year and on the level of the first quarter of 2019. The region accounted for a 3.2% share in total Krka Group sales.

Product and Service Sales by Category

€ thousand	Krka Group			
	Q1 2021	Q1 2020	Index 2021-20	Index 2021-19
Human health medicines	368,010	432,600	85	351,142
– Prescription pharmaceuticals	340,921	389,389	88	314,367
– Non-prescription products	27,089	43,211	63	36,775
Animal health products	21,656	22,221	97	17,646
Health resorts and tourist services	4,857	6,908	70	8,500
Total	394,523	461,729	85	377,288



In the first quarter of 2021, the Krka Group sales of prescription pharmaceuticals amounted to €340.9 million, a 12% year-on-year drop, but an 8% rise on the first quarter of 2019. Prescription pharmaceuticals accounted for 86.4% of total Krka Group sales. A year-on-year comparison shows that sales dropped in all our regions as follows:

- Region Overseas Markets by 5%;
- Region East Europe by 9%;
- Region Central Europe and Region Slovenia by 12%;
- Region South-East Europe by 14%; and
- Region West Europe by 18%.

Ten leading prescription pharmaceuticals in terms of sales were product groups containing:

- valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox);
- perindopril (Prelessa, Co-Prelessa, Amlessa, Co-Amlessa, Roxiper, Roxampex);
- losartan (Lorista, Lorista H, Lorista HD, Tenloris);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza);
- rosuvastatin (Roswera, Co-Roswera);
- esomeprazole (Emanera);
- candesartan (Karbisi, Karbicombi, and Kandoset);
- enalapril (Enap, Enap H, Enap HL, Elernap); and
- tramadol (Doreta, Tadol).

Products are marketed under different brand names in individual markets.

Year-on-year sales of non-prescription products declined by 37% and generated €27.1 million (6.9% of total sales). Sales of animal health products amounted to €21.7 million, a 3% year-on-year drop (accounting for 5.5% of total sales). On the back of the extraordinary situation caused by the COVID-19 pandemic, Terme Krka recorded a 30% drop in sales of services, totalling €4.9 million year on year.

Research and Development

We intend to register new products and introduce additional development activities to provide for high quality and safety of established products and obtain **marketing authorisations for 16 new products in 2021.**



In the first quarter of 2021, we obtained 118 new marketing authorisations under various registration procedures for our established products from all product categories. We filed documents for approximately 8,000 varieties and were granted marketing authorisations for almost 8,300 variations.

We adjusted to the requirements of the latest edition of the Russian Pharmacopoeia (GF XIV) and to this date filed documents for 170-odd products to register the changed requirements.

Also in this period, we put emphasis on safety and risk assessment at all levels of the development process, manufacture, and use of ingredients and finished products alike.

In the first quarter, R&D expenses totalled €39.1 million, accounting for 9.9% of revenue and 4% year-on-year growth.

Investments

In the first quarter of 2021, the Krka Group allocated €9.8 million to investments, of that €7.9 million to the controlling company. We primarily invested in development capacities, production increase and technological upgrades, quality management, and our own production-and-distribution centres across the world.

The increasing demand for additional production capacities has incited us to acquire extra technological equipment for Notol 2, our state-of-the-art facility for manufacturing solid dosage forms at our central site in Ločna, Novo mesto, Slovenia. In 2019, we started equipping a new packaging facility and continue setting it up. We installed twelve highly automated and robotised packaging lines, and plan to purchase and start up more lines over the upcoming two years. The entire investment was estimated at €41 million. When the Notol 2 plant is technologically equipped, we will be able to manufacture 5 billion and package 8 billion tablets per year.

The high-capacity packaging line purchased for the production plant in Ljutomer, Slovenia allows for increased packaging output of lozenges and tablets. We refurbished the warehousing section of the plant as a temporary storage room in compliance with standards of good warehousing practice and health and safety at work and built a sprinkler system for fire protection. Our investments amounted to €5.7 million.

We plan to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. Product documentation has been prepared. We have applied for construction permits for the chemical synthesis plant Sinteza 2 and laboratories for chemical analyses Kemijsko-analitski center. We also plan to build other small facilities for technology and infrastructure allowing for a complete production process. The €163-million investment agrees with our strategy of vertical integration, according to which Krka controls all product stages, from product development to its sales.

We are investing €21 million in additional capacities for compression mixture preparation and granulation in the double-layer tableting process, and in logistic capacities in the Solid Dosage Form Production Plant (Slovene abbreviation: OTO).

The construction of a packaging facility is planned at our central site in Novo mesto. We are preparing project documentation and obtaining building permits.

Several investments in our development-and-research facility RKC are in progress. Their total value is €8.2 million.

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 Krka-Rus plant manufactures 75% of products intended for the Russian market, giving us the status of a domestic producer in the Russian Federation. In the next few years, we plan to further increase our production and laboratory capacities there. The estimated investment total is €35 million, and we intend to invest €9 million this year.

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in the city of Ningbo, China. Also in 2021, purchases of manufacturing and quality control equipment will continue. Our joint venture manufactures products for markets outside China, and since January 2021, also the first product intended for the Chinese market.

Employees

At the end of March, the Krka Group had 11,639 employees, of that 5,375 abroad, which constituting 46% of the total Krka Group headcount. The Krka Group employees with at least university-level qualifications accounted for

51% of all personnel, and 204 of them held doctoral degrees. Together with agency workers, the Krka Group had 12,539 employees on payroll.

We provide for continuous recruitment of talented employees by awarding scholarships. At the end of March, we listed 109 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to students from other fields of interest to Krka. At the end of March, 150 employees were enrolled in part-time graduate studies co-funded by Krka, 42 of them in postgraduate studies.

Investor and Share Information

As at 31 March 2021, the Krka share traded at €94.60 on the Ljubljana Stock Exchange, up 3.5% on year-end 2020. Market capitalisation of Krka amounted to €3.1 billion.

At the end of March, Krka had a total of 47,201 shareholders. Holdings of domestic retail investors and treasury shares increased in the first quarter. Holdings of legal entities and institutional investors remained unchanged, while holdings of foreign investors declined by 0.4 percentage points.

In the first quarter of 2021, Krka acquired 30,443 treasury shares. As at 31 March 2021, Krka held 1,572,217 treasury shares, accounting for 4.794% of the share capital.

Business Performance by the End of the Year 2021

Business performance in 2021 will further depend on the course of the COVID-19 pandemic and the global recovery after it ends. Pandemic-related circumstances and processes remain highly volatile, but we pursue all key activities, for example development, purchasing, manufacture, and sales, in accordance with the set goals and key strategic guidelines for 2021.