

PRESS RELEASE

Krka Reports First Quarter 2024 Business Results

Novo mesto, 16 May 2024

In the first quarter of 2024, the Krka Group generated revenue of €486.1 million, up 6% year on year, yielding €98.8 million in net profit, up 11% year on year. The Supervisory Board of Krka discussed the Q1 2024 business report of the Krka Group and Krka at its regular meeting yesterday.

The President of the Management Board and Chief Executive Jože Colarič explained: *‘On 23 April, seven decades passed since a daring vision, creativity, and enthusiasm put Krka, a pharmaceutical company from Novo mesto, Slovenia, on the map. Many generations of employees have harboured the same values through the years – speed and flexibility, partnership and trust, and creativity and efficiency – making Krka one of the leading generic pharmaceutical companies in the world. We will continue to operate with the same drive and social responsibility in the future. In the first quarter of 2024, we generated the highest sales and net profit to date. Earnings before interest and taxes remained high. Krka generates robust cash flow from operating activities, a comfortable funding source for our operating liabilities and investments, and pursues long-term dividend policy. The Supervisory Board and Management Board have proposed that Krka shareholders receive a dividend of €7.50 gross per share for 2023, a 13.6% increase on last year. Shareholders will vote on this proposal at the 30th Annual General Meeting of 11 July 2024. Krka is stable, our strategy resolute, and we have knowledge, perseverance and a clear vision, an excellent starting point for the future. I am glad that our stakeholders recognise this as well.’*

Financial highlights

€ thousand	Jan–Mar 2024	Jan–Mar 2023	Index
Revenue	486,145	458,184	106
– Of that revenue from contracts with customers (products and services)	484,104	456,253	106
Gross profit	279,941	279,595	100
Earnings before interest, tax, depreciation and amortisation (EBITDA)	138,468	146,192	95
Operating profit (EBIT)	114,188	120,094	95
Profit before tax (EBT)	118,644	106,520	111
Net profit	98,772	89,011	111
R&D expenses	46,864	43,914	107
Investments	26,996	21,843	124

Performance ratios

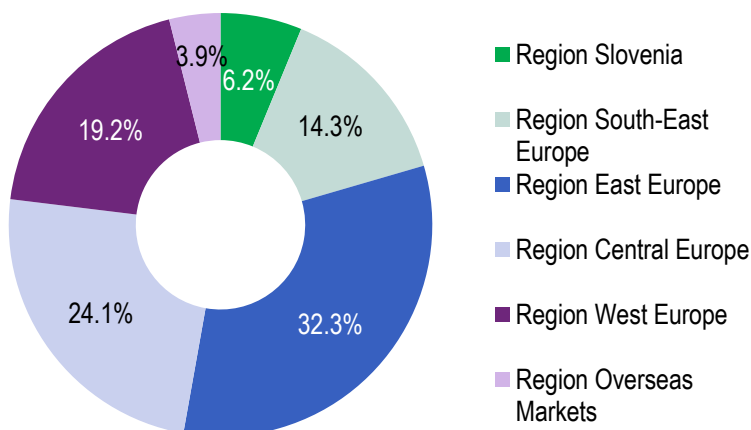
	Jan–Mar 2024	Jan–Mar 2023
Gross profit margin	57.6%	61.0%
EBITDA margin	28.5%	31.9%
EBIT margin	23.5%	26.2%
EBT margin	24.4%	23.2%
Net profit margin (ROS)	20.3%	19.4%
Return on equity (ROE)	17.7%	16.4%
Return on assets (ROA)	14.1%	13.1%
Liabilities/Equity	0.256	0.250
R&D expenses/Revenue	9.6%	9.6%

Sales

Product and service sales by Region

€ thousand	Jan–Mar 2024	Jan–Mar 2023	Index
Region Slovenia	30,124	28,077	107
Region South-East Europe	69,100	63,526	109
Region East Europe	156,422	143,493	109
Region Central Europe	116,797	110,262	106
Region West Europe	92,773	91,744	101
Region Overseas Markets	18,888	19,151	99
Total	484,104	456,253	106

Q1 2024 sales by Region



The Krka Group's largest region in terms of sales was Region East Europe, generating €156.4 million in product sales. In the Russian Federation, our largest individual market, we sold €85.3 million worth of products, down 3% on last year, while in local currency we recorded double-digit growth. Product sales in Ukraine reached €25.1 million, more than doubling sales year on year. We recorded sales growth also in Uzbekistan, Belarus, and Kyrgyzstan.

The second largest sales region was Region Central Europe, where product sales totalled €116.8 million. In Poland, Krka's second largest individual market, we recorded product sales of €56.3 million, up 18% year on year. Product sales in Hungary amounted to €16 million, up 6% from last year. Sales increased also in Slovakia and Lithuania.

Generating €92.8 million, Region West Europe was the third largest region in terms of sales. In Germany, Krka's largest market in the region and the third largest individual market, product sales amounted to €23.3 million, levelling off with last year. We recorded sales growth in the United Kingdom (77%), Spain (23%), Ireland (17%), and Scandinavia (9%).

Region South-East Europe generated product sales of €69.1 million, with sales increasing in all markets except Albania.

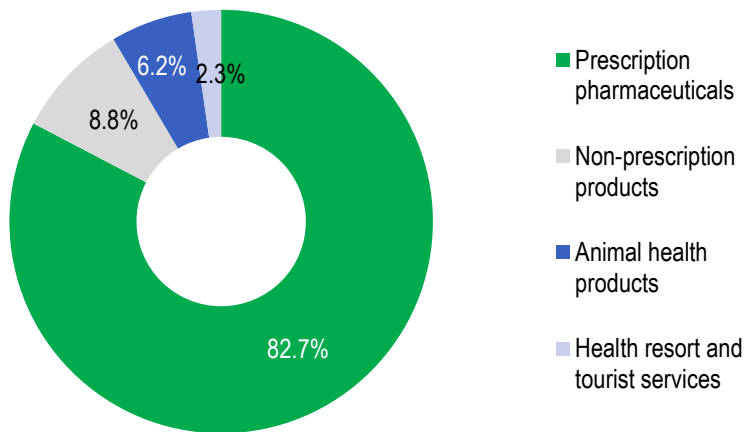
We sold €30.1 million worth of products and services in Region Slovenia. According to the latest available data, Krka holds a 7.7% share of the Slovenian market in terms of sales value, and remains the country's leading supplier of pharmaceuticals.

Region Overseas Markets generated product sales of €18.9 million, mainly on the back of sales results in the Far East and Africa.

Sales by product and service group

€ thousand	Jan–Mar 2024	Jan–Mar 2023	Index
Human health products	442,988	417,457	106
– Prescription pharmaceuticals	400,179	370,309	108
– Non-prescription products	42,809	47,148	91
Animal health products	30,163	28,402	106
Health resort and tourist services	10,953	10,394	105
Total	484,104	456,253	106

Q1 2024 sales by product and service group



Research and development

In the first quarter of 2024, we added five new prescription pharmaceuticals to our product portfolio.

We obtained marketing authorisations for our contemporary central nervous system agent Varesta (vortioxetine) in film-coated tablets indicated for the treatment of major depressive episodes in adults. Vortioxetine differs from other antidepressants in its mechanism of action, which simultaneously modulates neurotransmission in several systems, and is therefore a medicine of choice for patients with severe forms of the disease.

A new perindopril arginine-based product was granted a marketing authorisation. Under the decentralised procedure, we were granted marketing authorisations for our triple single-pill combination Co-Amlessa Neo (perindopril arginine/amlodipine/indapamide) tablets. The vertically integrated model was applied in its production. Development, API synthesis, and finished product manufacturing processes are the result of our in-house expertise. The new formulation allows for adaptation to special requirements of individual markets.

We developed and registered a new strength of Vitamin D3 Krka (cholecalciferol) 30,000 IU tablets indicated for the prevention and treatment of vitamin D deficiency and as adjunctive therapy in the treatment of osteoporosis. The new strength allows for even better adaptation to patients' needs.

We obtained marketing authorisations for new products in China. Marketing authorisations were obtained for our cardiovascular agent containing bisoprolol in film-coated tablets, one of the essential therapies for many cardiovascular conditions, for example hypertension, coronary artery disease, and heart failure. We obtained marketing authorisations for a central nervous system agent containing aripiprazole in tablets. This atypical antipsychotic has fewer adverse reactions compared to other agents of the same product group.

We finalised 203 marketing authorisation procedures, out of which 174 were for prescription pharmaceuticals, 9 for non-prescription products, and 20 for animal health products.

Investments

In the first quarter of 2024, the Krka Group allocated €27 million to investments, of that €20 million to the controlling company.

We upgraded water supply systems and automated washing systems in Notol, our solid dosage forms production plant in Novo mesto, Slovenia. We are also gradually upgrading worn-out packaging lines. We replaced nine packaging lines by the end of 2023, and the delivery of the last seven is due by the end of 2024. We also plan to increase tablet compression capacities at Notol and Notol 2 and upgrade and increase granulation capacities. We intend to upgrade the logistic system in upcoming two years.

The investment in additional capacities for compression mixture preparation and granulation in the tablet compression process and in logistic capacities at the Solid Dosage Products plant in Novo mesto, Slovenia, is drawing to a close.

We are about to extend Sterile Products Department in Novo mesto, Slovenia. We expect the new production line for sterile solutions to increase the production capacity for animal health products and ensure long-term production of high-volume sterile products.

The upgraded Liquid Products Department is intended to ensure uninterrupted production of liquid animal health products.

We plan to build a new building for Powders and Solutions at the Bršljin Department in Novo mesto, Slovenia in order to increase production capacities for animal health products. With new packaging lines, capacities for packaging animal health tablets and liquid products will enjoy a boost.

In Novo mesto, Slovenia, the construction of a new multi-purpose building called Paviljon 3 is drawing to a close. The building design incorporates our microbiology laboratory extension and additional rooms for Supply Chain Management and other organisational units.

In Novo mesto, Slovenia, construction works for a new multi-purpose building is about to start. This new construction design also features a roofed cargo entry and a cargo vehicle control point.

We increased capacities for granulation and packaging at our production site in Ljutomer, Slovenia. We aim to increase production capacity for uncoated lozenges and optimise packaging by installing new equipment.

We obtained the integral building permit for our plant in Krško, Slovenia, comprising the Sinteza 2 API production plant, laboratories for chemical analyses, the liquid raw materials warehouse, and the wastewater treatment plant, based on project documentation and an environmental impact assessment. The environmental protection and chemical safety (SEVESO) permits are still pending. At the end of 2023, we started building a technologically and technically advanced wastewater treatment plant, but intend to postpone the construction of other buildings for a few years.

We are increasing production capacities for solid forms of animal health products in the production and distribution centre in Jastrebarsko, Croatia.

Employees

At the end of March 2024, the Krka Group employed 11,795 people, of whom 5,241 or 44% worked outside Slovenia. The Krka Group employees with at least university-level qualifications accounted for 51% of total headcount, and 203 held doctoral degrees. Including agency workers, the Krka Group employed 12,675 persons.

Investor and share information

Krka had 47,059 shareholders at the end of March 2024. On 31 March 2024, the Krka share traded at €128.50 on the Ljubljana Stock Exchange, up 17% on year-end 2023, when it traded at €110.00. Market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €4.2 billion.

In first quarter of 2024, Krka repurchased a total of 54,634 treasury shares, thus holding 1,970,600 treasury shares at the end of March 2024, accounting for 6.009% of its share capital.

Sustainable operations

We have undertaken activities to implement the EU Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), further upgrading sustainability reporting and governance in important sustainability areas. A reassessment of Krka's impacts, risks, and opportunities is underway as part of the preparation for reporting under the ESRS. As a result, the double materiality matrix will be updated, which also determines the basis for reporting obligation with regard to important topics according to the ESRS. Sustainability reporting will be subject to external audit in 2024.

Krka Group business objectives for 2024

Product and service sales are projected to reach €1,850 million. Net profit is planned at just over €310 million. The total number of employees in Slovenia and abroad is expected to increase by 3%. We plan to allocate €150 million primarily in expanding production and development facilities, infrastructure, and technological upgrades.

The semi-annual 2024 performance estimate will be released at the 30th AGM of 11 July 2024, and the 2024 semi-annual report on 18 July 2024.