



## Krka Group Investor Day 2023

Krka, d. d., Novo mesto (KRKG SV)

# **Business development 1-9 2023, FY 2023 estimates and 2024 guidance**

Jože Colarič

President of the Management Board and CEO

OUR MISSION  
*Living a healthy life.*

OUR VISION  
*We are consolidating our position as one the leading  
generic pharmaceutical companies in the world.*

OUR VALUES  
*Speed and flexibility  
Partnership and trust  
Creativity and efficiency*



# 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**

**55+ million patients** daily use Krka's  
medicines worldwide

**17 bn FDF** produced annually in various  
therapeutic groups

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

### Sales regions

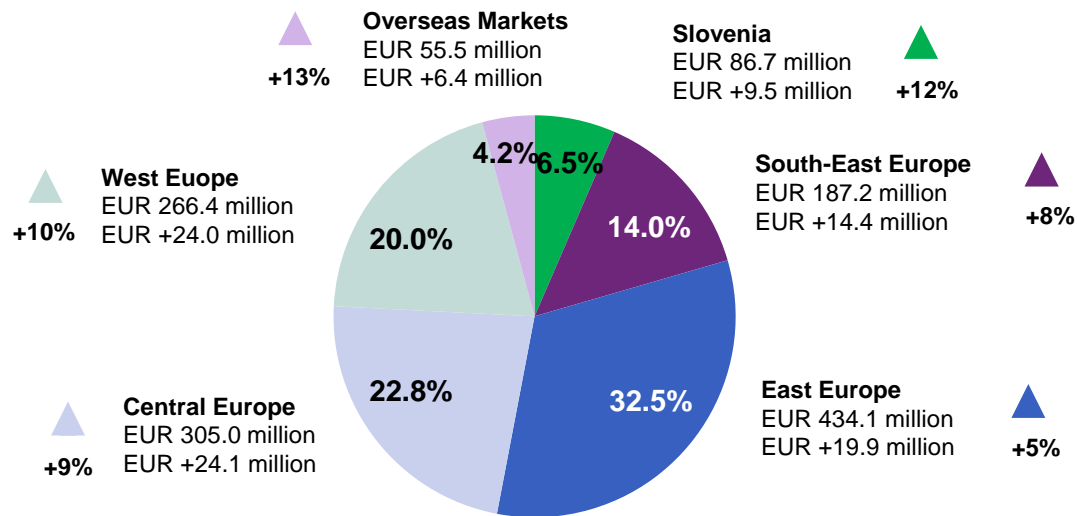
- Region Slovenia
- Region Central Europe
- Region East Europe
- Region South-East Europe
- Region West Europe
- Region Overseas markets

### Manufacturing locations

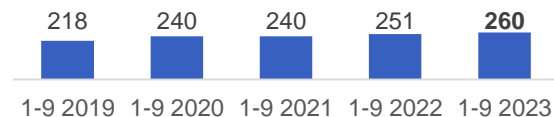
Slovenia | Russian Federation  
Poland | Germany | Croatia | China

# Krka Group sales by regions

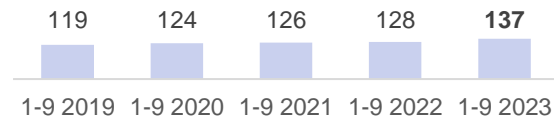
**Sales 1–9 2023: EUR 1 billion 334.9 million  
of goods and services (EUR +98,4 million, +8%)**



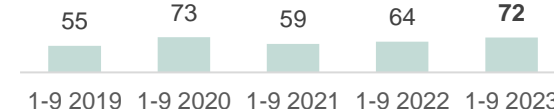
**Largest market – Russian Federation:** sales of €260m, +3%



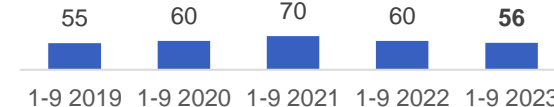
**Second largest – Poland:** sales of €137m, +6%



**Third largest – Germany:** sales of €72m, +12%



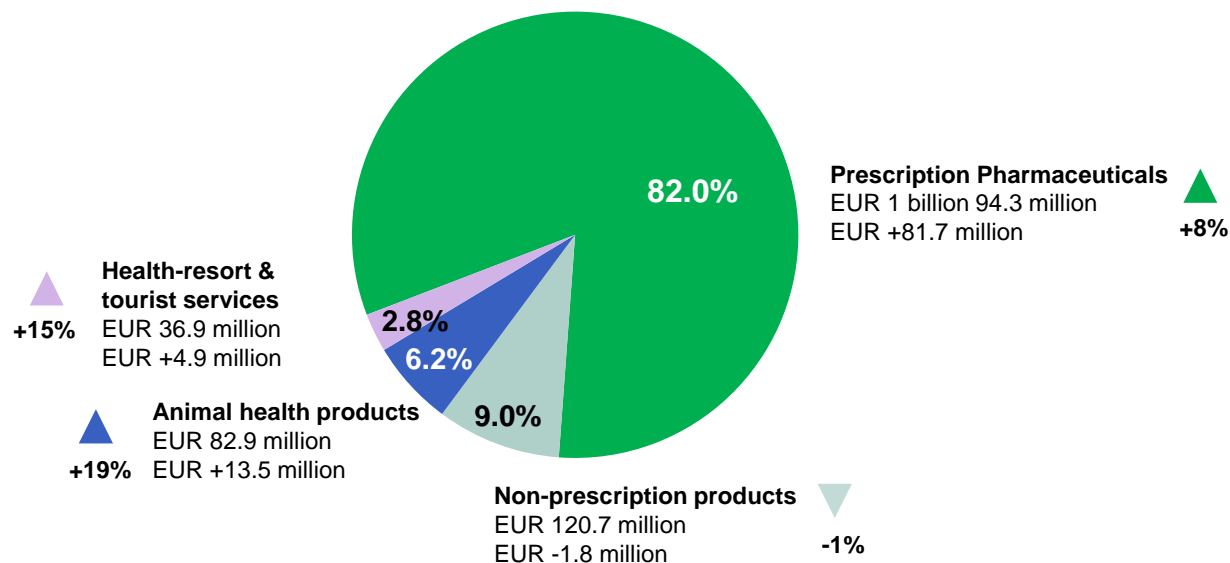
**Fourth largest – Ukraine:** sales of €56m, -7%



Sales in EUR million

# Krka Group sales by product and service groups

**Sales 1–9 2023: EUR 1 billion 334.9 million  
of goods and services (EUR +98,4 million, +8%)**



- ❖ Prescription drugs remain the most important group of products sold by the Krka Group.
- ❖ The greatest absolute growth in sales (EUR +81.7 million) was achieved with prescription drugs, while the greatest relative growth (+19%) was achieved with animal health products.



# Research and development



**In the first nine months of 2023, we registered 7 new products (5 prescription and 2 animal health products).**

- ❖ On the European markets, we added **dapagliflozin** to the range of medicines for the treatment of diabetes in the form of film-coated tablets. Dapagliflozin is a representative of the most modern group of drugs, which, in addition to successfully lowering glycated hemoglobin, shows beneficial effects on the heart and blood vessels and kidney function.
- ❖ We increased the range of Krka products in China. We have registered a drug with **tert-butylamine perindoprilat** from the group of drugs for the treatment of cardiovascular diseases. We also obtained the registration of the modern antithrombotic drug **rivaroxaban** in the form of film-coated tablets and the drug with **gliclazide** in the form of modified-release tablets, which is used for the treatment of diabetes.
- ❖ Our range for companion animals was expanded to include the **Arocenia (maropitant)** solution for injection, for cats and dogs. The agent affects the central nervous system, reducing nausea and preventing vomiting after surgery and chemotherapy, thus improving post-operative recovery.
- ❖ Krka was the first producer of generic medicines in the European Union to complete the decentralised procedure for **Robexera/Rogiola (robenacoxib)** chewable tablets for dogs. It is available in four strengths. Robenacoxib is a nonsteroidal anti-inflammatory agent used in veterinary medicine for the relief of pain and treatment of chronic osteoarthritis inflammation, and for the control of inflammation and pain after soft tissue surgical procedures.
- ❖ We obtained a Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our antibacterial agent norfloxacin as incorporated into the Krka product Nolicin.
- ❖ We finalised 408 marketing authorisation procedures, obtaining approvals for 216 prescription pharmaceuticals and 3 non-prescription products, thus bringing medications closer to patients in numerous markets.

**R&D costs amounted to EUR 127.3 million (9.5% of revenue, +7% compared to the same period last year).**

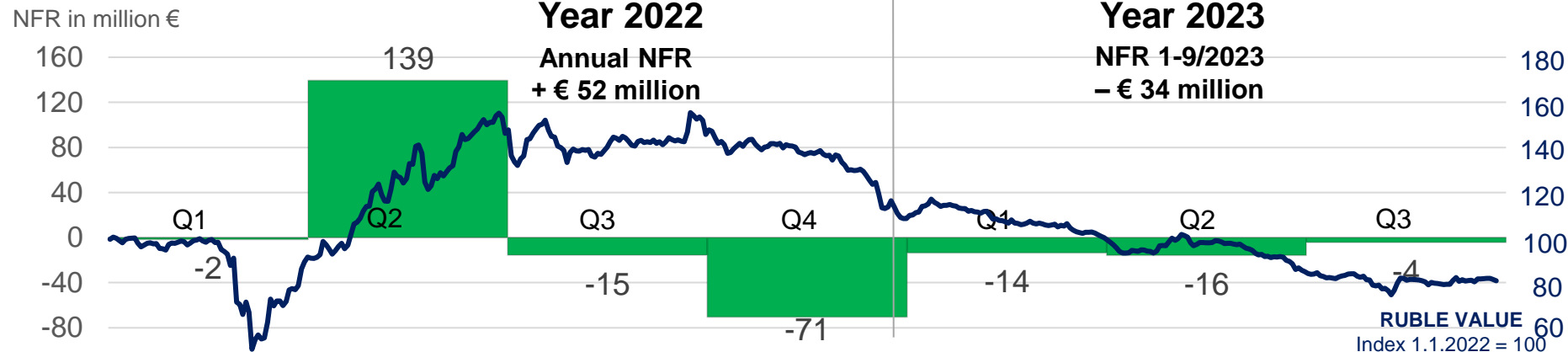
# Investments

**Investments in the Krka Group between January and September 2023 totalled €81.5 million, of which the controlling company allocated €69.0 million.**

- ❖ Investments in the modernization and increase of capacity at the Notol plant, the OTO solid form production plant and the Ljutomer plant are underway. In Novo mesto, we are continuing the construction of the 6-story multi-purpose building Paviljon 3. It will contain spaces for the expansion of the microbiology laboratory and additional spaces for several organizational units.
- ❖ In Slovenia, we completed investments in the modernization and increase of capacity at the Beta plant in Šentjernej, in the reorganization of the development and control centers, and in the increase of the capacity for filling tubes in the plant for the preparation of powder and liquid products in Bršljin.
- ❖ In the production and distribution center in Jastrebarsko, Croatia, we are installing a new secondary packaging line, which will increase the capacity for the production of veterinary products in solid pharmaceutical forms by a quarter. We are also upgrading other facilities and systems.
- ❖ New facilities for API development and production are planned in Krško, Slovenia. This is one of Krka's largest future projects. Based on project documentation and an IED OVD environmental impact assessment we have obtained the integral building permit for the Sinteza 2 plant and laboratories for chemical analyses. The environmental permit has also been granted, and construction works are scheduled to start after the permit becomes final. The investment is estimated at €163 million and pursues our strategy of vertical integration, from the development of a product to its production.

# FX impact for the period January - September 2023

*The ruble exchange rate stabilized in the second half of 2023*



- ❖ The value of the ruble declined by 24% in the first nine months of 2023, with most of the depreciation occurring in the first half of the year.
- ❖ The Krka Group's net financial result (NFR) for the first nine months of 2023, which includes the currency result, income and expenses from financial investments, as well as other financial income and expenses, amounted to minus € 34 million.
- ❖ The main reason for the negative NFR was the negative foreign exchange result due to the depreciation of the ruble. The total impact of all other NFR components was positive.
- ❖ In the first nine months of 2023, the Krka group's NFR was € 156 million worse than in the same period last year, mainly due to the strong strengthening of the ruble in the first half of 2022.



# Profit and loss statement of the Krka Group

## *Costs by business function*

EUR thousands	1–9 2023	Share in %	1–9 2022	Share in %	Change 2023–2022	Index 2023/22
Revenues	1,340,536	100.0	1,242,203	100.0	98,333	108
Cost of Goods sold	569,320	42.5	561,071	45.2	8,249	101
<b>Gross profit</b>	<b>771,216</b>	<b>57.5</b>	<b>681,132</b>	<b>54.8</b>	<b>90,084</b>	<b>113</b>
Other operating income	4,423	0.3	5,197	0.4	-774	85
Selling and distribution expenses	250,794	18.7	266,742	21.5	-15,948	94
R&D expenses	127,344	9.5	119,481	9.6	7,863	107
General and administrative expenses	77,227	5.7	66,322	5.3	10,905	116
<b>Operating profit</b>	<b>320,274</b>	<b>23.9</b>	<b>233,784</b>	<b>18.8</b>	<b>86,490</b>	<b>137</b>
<b>Net financial results</b>	<b>-33,664</b>	<b>-2.5</b>	<b>122,405</b>	<b>9.9</b>	<b>-156,069</b>	
<b>Profit before tax</b>	<b>286,610</b>	<b>21.4</b>	<b>356,189</b>	<b>28.7</b>	<b>-69,579</b>	<b>80</b>
Income tax	51,051	3.8	54,521	4.4	-3,470	94
<b>Net profit</b>	<b>235,559</b>	<b>17.6</b>	<b>301,668</b>	<b>24.3</b>	<b>-66,109</b>	<b>78</b>
<b>Basic earnings per share – EPS (in EUR)</b>	<b>7.60</b>		<b>9.68</b>		<b>-2,08</b>	<b>78</b>

# Krka Group business indicators



EUR thousands	1–9 2023	1–9 2022
Gross profit	771,216	681,132
EBITDA	398,235	314,192
Operating income (EBIT)	320,274	233,784
Net profit	235,559	301,668
Gross profit margin	57.5%	54.8%
EBITDA margin	29.7%	25.3%
EBIT margin	23.9%	18.8%
Net profit margin	17.6%	24.3%
Return on Equity (ROE)	14.8%	19.9%
Return on Assets (ROA)	11.8%	15.3%



# 2024–2028 Strategy

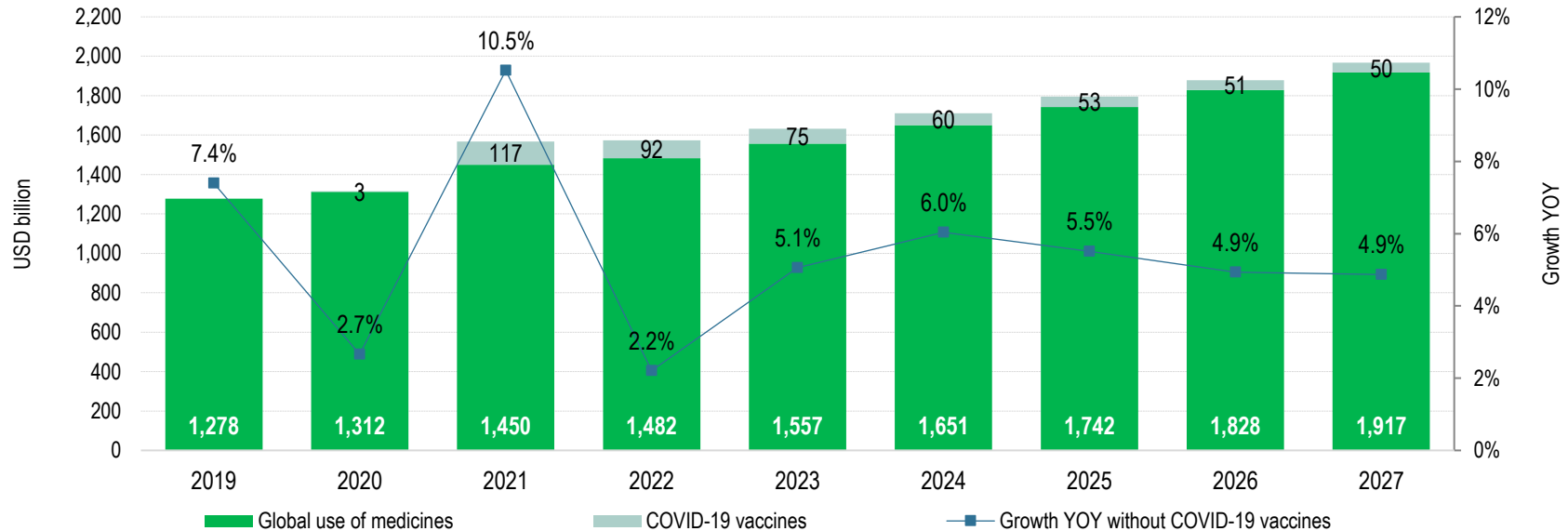
*Krka updates its Strategy biennially.*

*Strategy adopted by the Management and Supervisory Boards  
on 15 November 2023.*

# Worldwide medicines spending

*Average growth is expected to return to pre-pandemic levels after 2024*

The global pharmaceutical market will exceed USD 1,900 billion by 2027 and is expected to grow at an annual rate of 5% over the next five years, excluding Covid-19 vaccines. After growth in 2021, when most markets recorded above-average growth rates as a result of the onset of the pandemic in 2020, growth rates declined in 2022.



# Estimated medicines consumption growth

*Entire pharmaceutical market by therapeutic areas*

Krka is strongly present in products for the treatment of chronic diseases, especially cardiovascular diseases, diseases of the central nervous system and diseases of the gastrointestinal tract, as well as in products for pain relief.

Increased focus on antidiabetics and oncology.

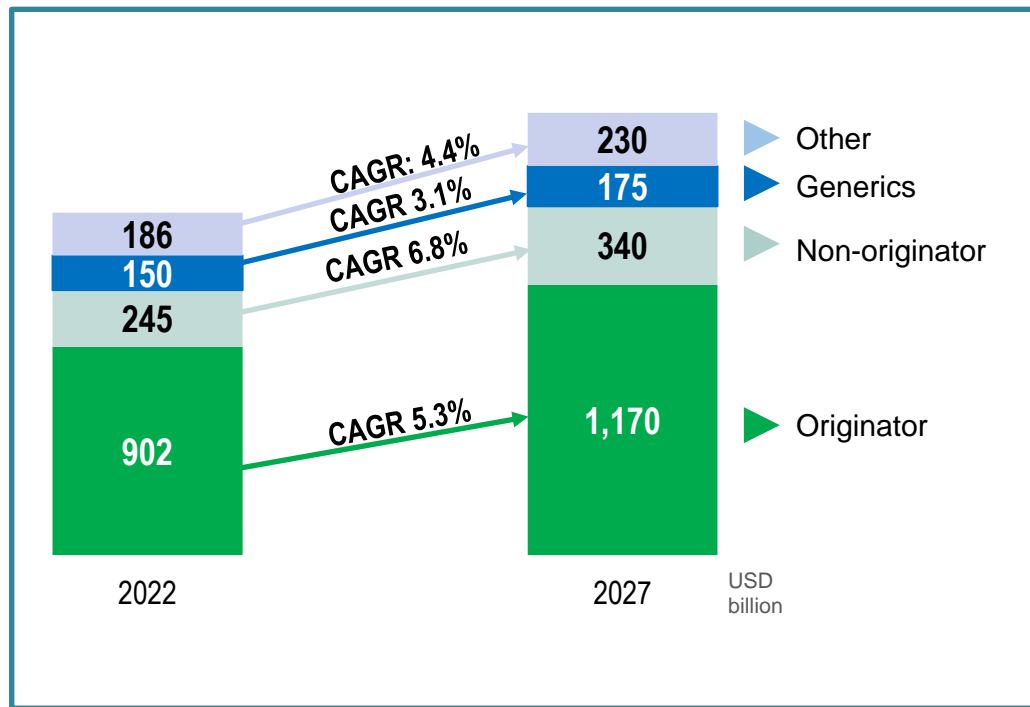
**We continue to focus on small molecules, but also develop many complex drugs: single-pill combinations, new pharmaceutical forms, strengths, delivery systems, peptides.**

Our priority is effective management of products that require high production volumes.

	Consumption in 2026 in USD billion	Expected 5-year average annual growth (2023–2027)
Oncology	377	13-16%
Immunology	177	3-6%
Diabetes	168	3-6%
CVS	126	1-4%
Respiratory	92	3-6%
CNS	81	2-5%
Infectious diseases	74	2-5%
GU sexual health	58	2-5%
GI products	52	3-6%
Mental health	48	0-3%
Pain	42	3-6%
HIV antivirals	36	1-4%
Ophtamology	33	-1-2%
Musculoskeletal	31	1-4%
Dermatology	29	4-7%
Blood coagulation	25	1-4%
Lipid regulators	20	5-8%
Vaccines ex flu and COVID-19	20	-1-2%
Obesity	17	10-13%
Cough Cold incl flu vaccines	15	5-8%

# Growth in 2022-2027 period

*Entire pharma market*



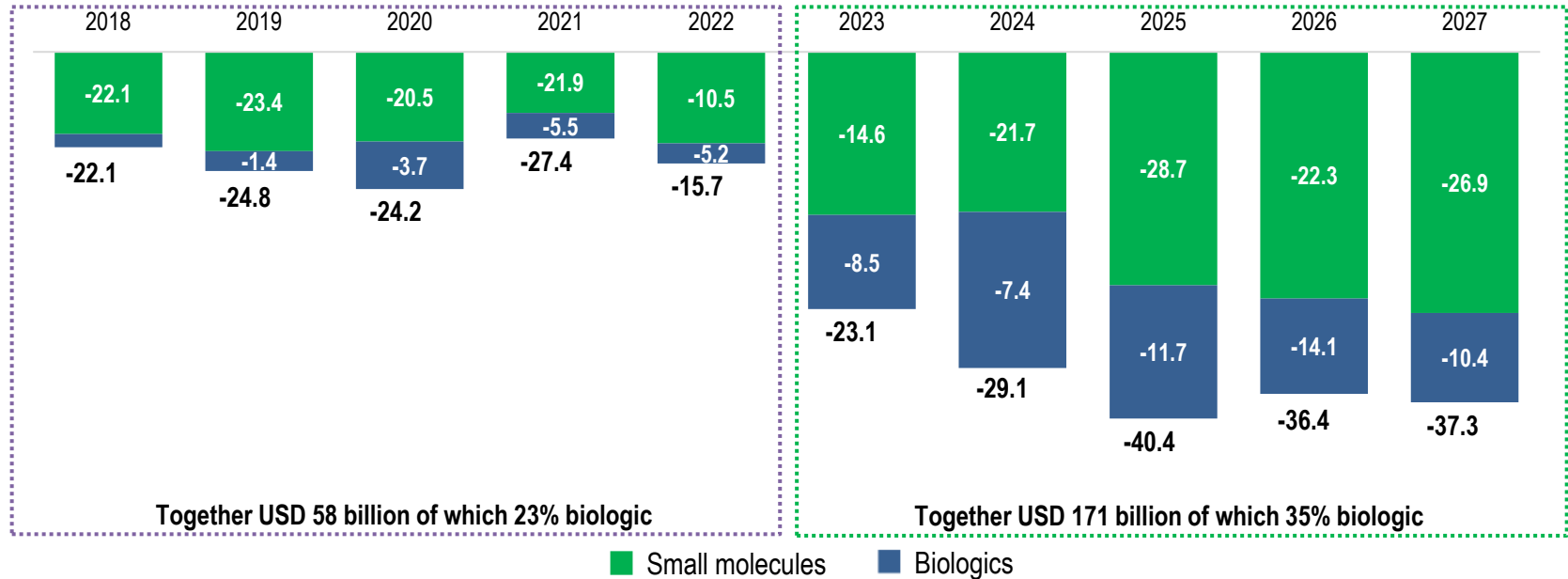
- Over the past decade, drug consumption has increased by 36% due to increased access to medicines worldwide, but growth is expected to slow by 2027.
- There are inequalities in healthcare in the EU, mainly due to the affordability of medicines.
- Life expectancy in Central and Eastern Europe is higher, but still lags behind life expectancy in the rest of Europe.



# Originator products sales at risk

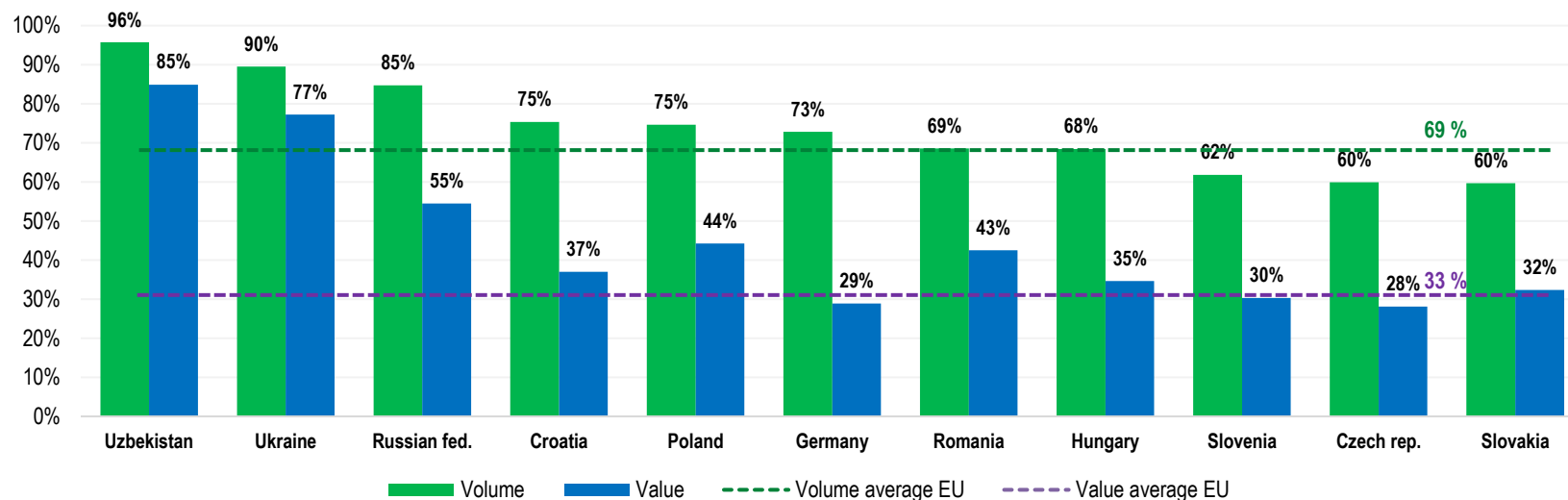
*Expiration of patents in developed markets*

An increased number of small molecule patent expirations is expected in the coming years



# Volume growth is an important factor for generics

*Krka successfully increases volumes sold*



As a manufacturer of generic medicines, we play an important role in **ensuring quantities and timely delivery of quality products** and are therefore **an important part of healthcare systems**. Reliability of supply plays a major role in this, as it proves key to providing patients with urgently needed medicines in uncertain situations, such as pandemics. **Krka ensures an appropriate increase in production volume**, which is essential for increasing sales. **We have strong production capacities**, which are complemented by those of our long-standing partners, particularly in India and China, as well as JV companies.

# Industry trends

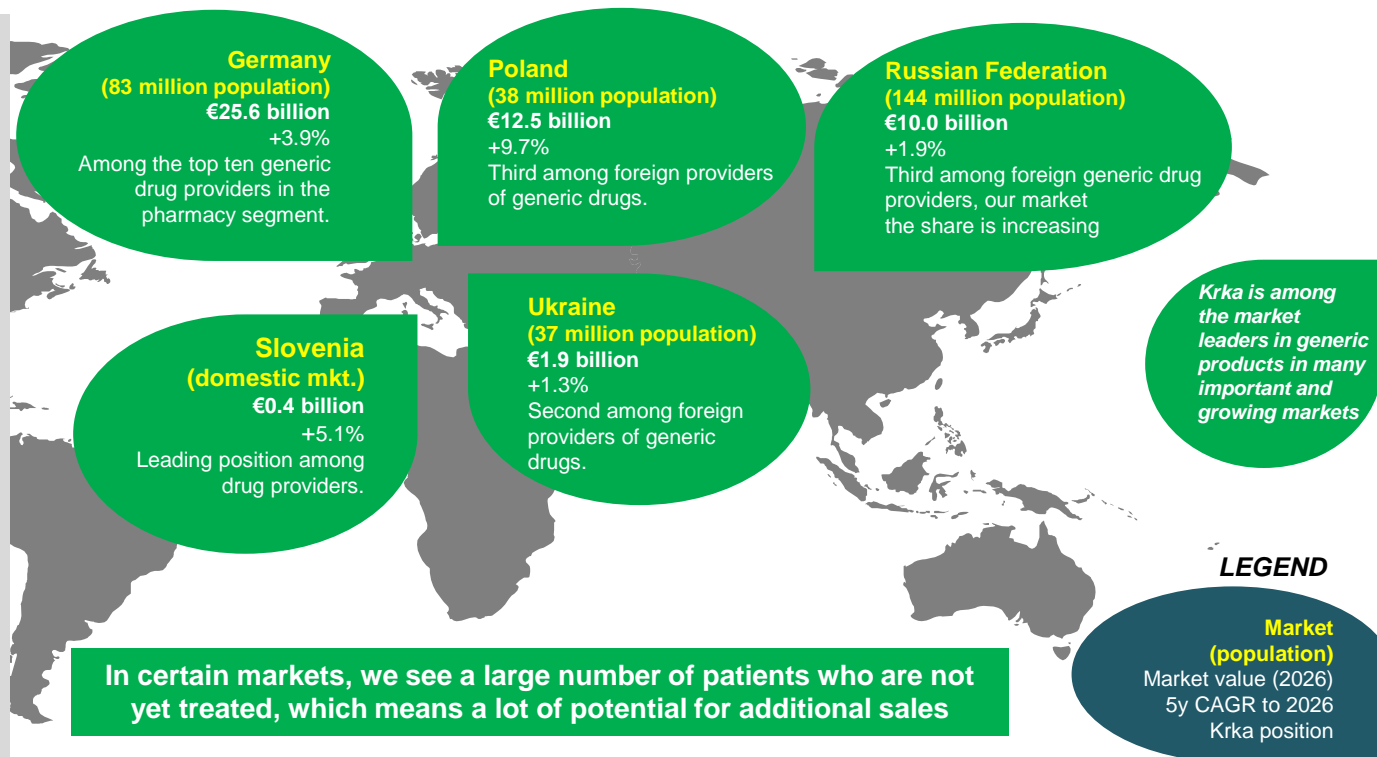
*Solid growth expected in Krka's generic markets in the next three to five years*

The following average annual growth in the consumption of generic pharmaceutical products is expected until 2026:

2.3% Europe  
4.3% Middle East  
6.9% Asia  
2.5% Africa

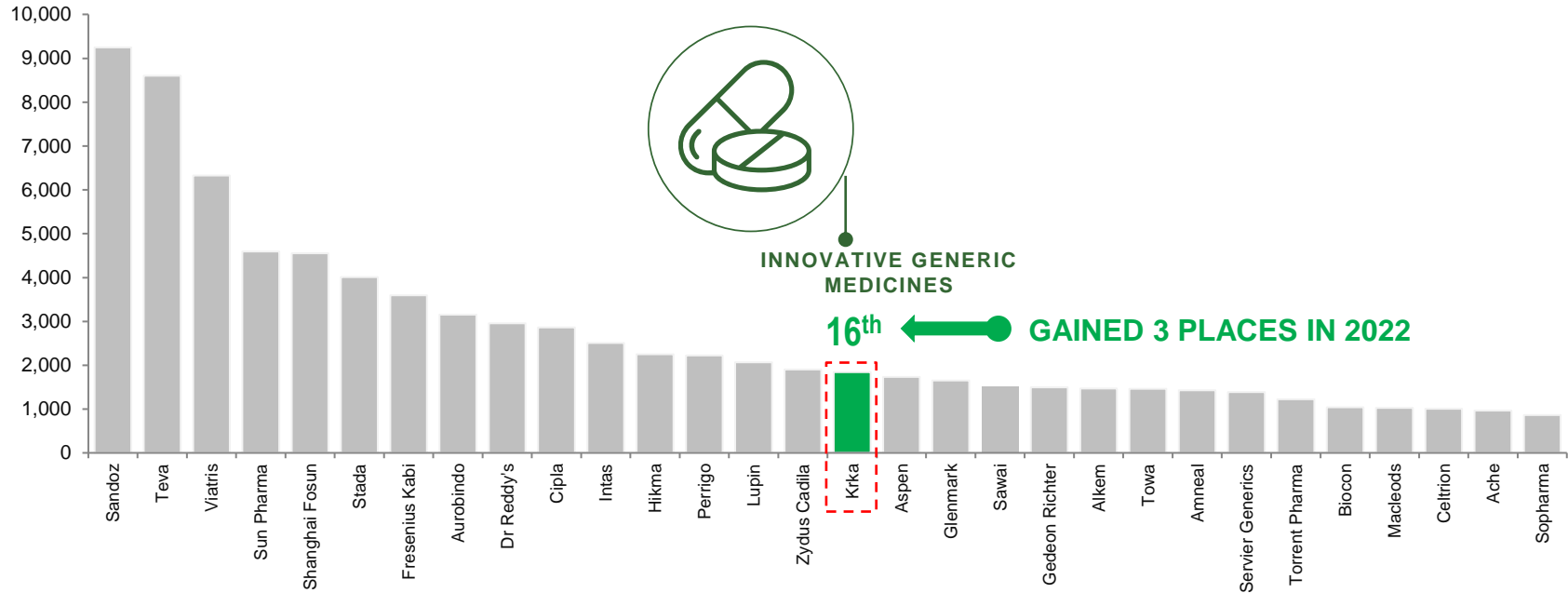
Generic drug manufacturers are important in providing affordable medicines to the wider public.

The prices of generic products are lower than those of originators. This enables savings for health funds, insurance companies and patients.



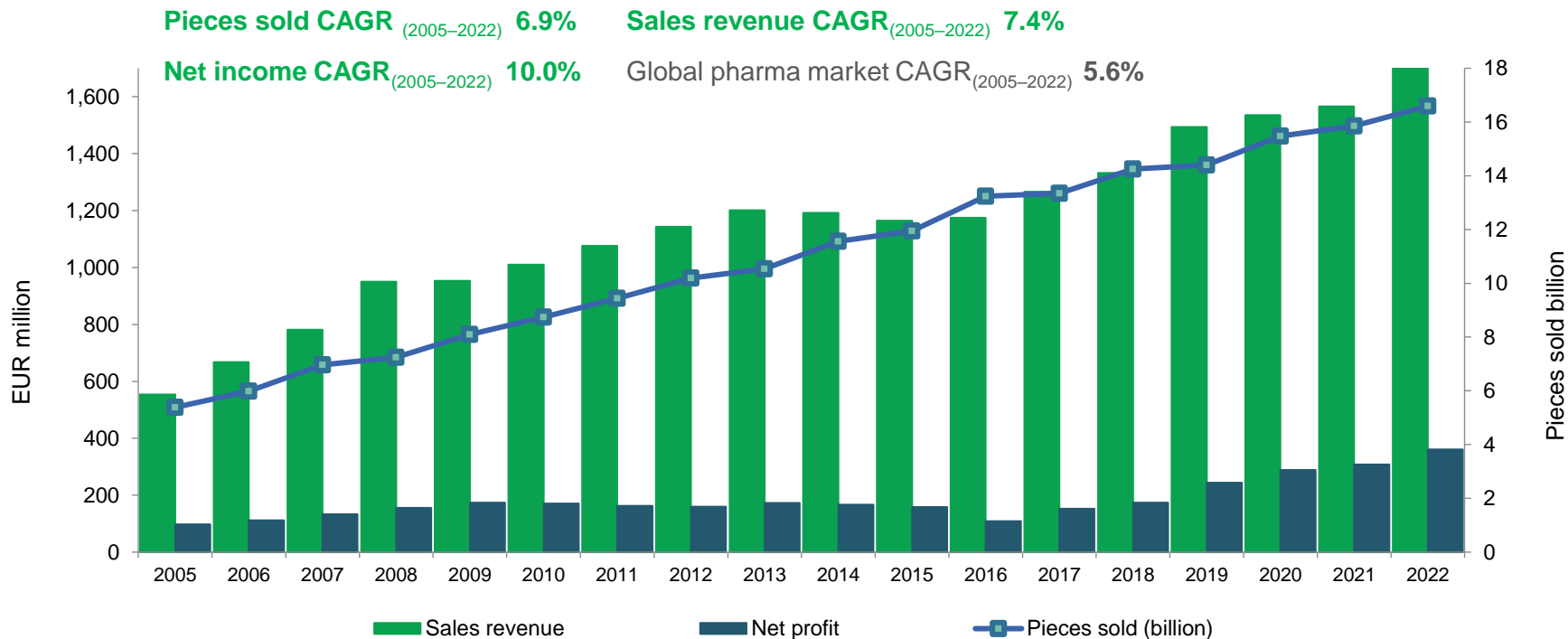
# Krka's global position

*Generics / Biosimilars / APIs / OTC world sales in million USD in 2022*



# Long-term stable business growth

*Growing faster than the global pharmaceutical market*



# Key strategic objectives and guidelines 2024 – 2028

*Sales, business model, margins, R&D, CAPEX*

**At least 5% average annual sales growth in terms of volume / value**

**To strengthen and optimise the vertically integrated business model**

- ❖ Krka's model has proven to be an effective strategic guideline and a comparative advantage, and to ensure high standards of product quality, safety, and efficacy.

**To keep focus on long-term profitability**

- ❖ Average EBITDA margin of at least 25%.
- ❖ Focus on long-term profitability of products, from development and production to marketing and sales, including all other functions within the Krka Group.

**To allocate 10% of revenue to R&D**

**To allocate for investments on average €140 million annually**



# Key strategic objectives and guidelines 2024 – 2028

*Dividends, M&A, ESG*

## **To pursue a stable dividend policy**

- ❖ When determining the net profit share for the annual dividend payments, to consider the Group's need to finance investments and acquisitions and to utilise at least 50% of the net profit for dividends.

## **Growth also through partnerships and acquisitions**

- ❖ To ensure growth through long-term business partnerships and targeted acquisitions in addition to organic growth. The primary goal is to increase sales by adding markets and products.

## **To upgrade the culture of sustainability (ESG)**

- ❖ To consider its aspects in corporate governance and business decisions, and act responsibly in all environments where we operate as far as economics, society and nature conservation are concerned.
- ❖ Obtaining an ESG rating in 2023, CSRD/ESRS reporting compliance in 2024.

## **To remain independent**

# Key strategic objectives and guidelines 2024 – 2028

## *Markets*

### **Consolidate and strengthen the presence in Krka's traditional markets**

- ❖ Consolidate the presence in the markets of Eastern, SE and Central Europe and increase the presence in the Western European and Asian markets.
- ❖ Strengthen the position among the top 5 generic companies in all traditional markets, i.e. strengthening of sales and market shares, especially in therapeutic groups and molecules, where Krka already has a strong presence (CVS, CNS, gastrointestinal diseases and pain) and in groups with high growth potential (diabetes and oncology).
- ❖ Maximize sales potential in all six sales regions and focus primarily on key markets (Russian Federation, Poland, Ukraine, Germany, Slovenia, Romania, Hungary, Czech Republic, Slovakia and Croatia), key customers and key products.
- ❖ Strengthen the visibility of the Krka and TAD brands and Krka's market position in the Western European region through subsidiaries and unrelated partners and strengthen its position among the top 10 generics companies in all Western European markets.

### **Increase focus on Overseas Markets and China**

- ❖ To market products under our own brands in the markets of the Overseas Markets region through partnerships with unrelated companies and through our own companies.
- ❖ In China, to continue activities for the registration and sale of products and to successfully participate in public tenders, which requires a direct presence on this market.

# Key strategic objectives and guidelines 2022 – 2026

## *Products*

### **Innovative generic with high level of vertically integrated products**

- ❖ In addition to the current product offering, which includes core drugs from key therapeutic segments, ensure the largest possible share of vertically integrated products and new products in total sales. As an innovative generic company, develop complex products, including peptides and biosimilars, and enter new therapeutic areas.

### **Product portfolio – maintain existing and introduce new therapeutic groups and enter new markets**

- ❖ Continue the development of complex generic products. To introduce innovative products in key therapeutic areas – combined medicines, innovative delivery systems and pharmaceutical forms.
- ❖ In the field of biosimilars, evaluate individual projects on European markets with strategic partners, especially from the point of view of Krka's role in registration, marketing and sales.
- ❖ To focus on the most promising area of veterinary products, on products for pet animals.

### **Increase the share of development and production of some active ingredients and finished products**

- ❖ With strategic partners, implement outsourcing and at the same time ensure an appropriate quality standard.

### **Maintain highest share of new products sales and launch of new products among first generics on the market**

# Vertically integrated business model of Krka



## Generating value for stakeholders

- ❖ Quality, safe, and efficient medicines based on innovative solutions
- ❖ Affordable treatment
- ❖ Investment in further development
- ❖ Stable dividend policy
- ❖ Safe and healthy work environment
- ❖ Opportunities for employment and development of knowledge, skills, and talents
- ❖ Efficient management of natural resources
- ❖ Improvement of life in the community
- ❖ Purchase of materials and services

# Revision of the Krka Group ESG policy

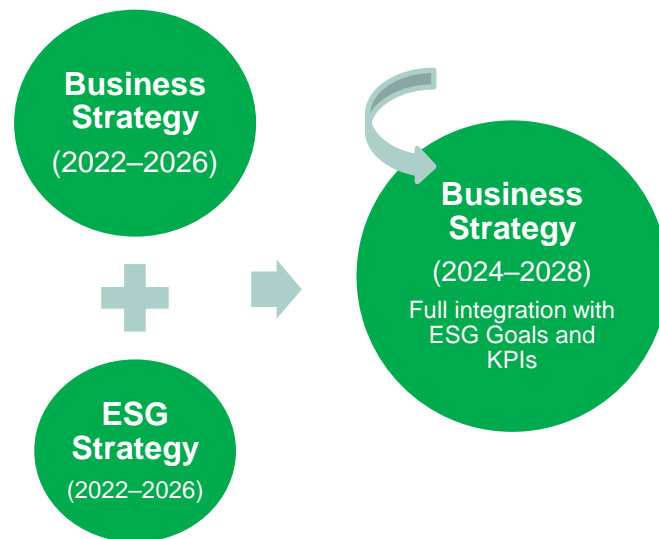
- ✓ Adopted in 2022 by the Management and Supervisory Boards, the **ESG policy is a strategic document on ESG governance.**
- ✓ It sets out fundamental principles and efforts of **sustainability**, which we pursue and **adequate recognition of sustainability impacts, risks and opportunities** material for Krka's long-term business success.
- ✓ Since the adoption of the ESG policy, we have further enhanced the sustainability governance. **We have established a Sustainability Committee, appointed the ESG Coordinator and ESG Managers, and are actively preparing for the implementation of ESRS standards.**
- ✓ In the meantime, new legislative frameworks have been adopted in the EU, and forthcoming regulatory guidelines have been indicated. In line with this, **we revised the ESG policy in November 2023** and will continue to supplement it in the future.



# Integration of the ESG strategy into the business strategy

- ✓ In 2022, we developed a standalone ESG strategy for the Krka Group for the period 2022–2026.
- ✓ With this year's revision of the Business Strategy of the Krka Group for the period 2024–2028, **the ESG strategy has been fully integrated into the Business Strategy.**
- ✓ **The sustainability part of Business strategy defines specific strategic principles, goals, and KPIs for material ESG topics.**
- ✓ When setting strategic ESG goals, we pursued their relevance for Krka's long-term business success, defined them quantitatively where possible, and aligned them with the Business Strategy.
- ✓ **In the future, the ESG segment will continue to evolve strategically,** also due to the requirements of the CSRD directive and the implementation of ESRS standards.
- ✓ Obtaining ESG rating in December 2023.

## Full integration of ESG in Krka Group business strategy





# Sustainability Is an important part of Krka

## *Selected ESG metrics & KPIs for 2022*

### E – Environmental

- ✓ Specific use of energy (TJ/billion units) reduced by 6% on average over the past few years.
- ✓ We substituted **4.3%** of river water used to supply cooling towers with rainwater.
- ✓ We reduced disposable waste by **13%**.
- ✓ We reduced our carbon footprint **by 320 t CO<sub>2</sub>-eq** per year through our energy efficiency improvement projects.

### G – Governance

- ✓ **Management and governance of the company in accordance with highest standards of corporate integrity.**
- ✓ Concern for business ethics and compliance.
- ✓ **Information security and data protection.**
- ✓ Respect for intellectual property.
- ✓ **Respect for the rights of shareholders & stakeholders.**

### S – Social

- ✓ **51%** of female employees in management positions, 60% of all employees are women.
- ✓ **93%** is the satisfaction index, which rose from a sound 92% in 2021 and 89% in 2020.
- ✓ **0.40%** proportion of revenue allocated for education with 39 average training hours per employee, **44.8 hours** of average training per employee.
- ✓ **0.20%** of our sales revenue to sponsorship and donations and helped more than 450 institutions, associations, and organisations achieve their goals. Supporting young people and projects linked to healthy lifestyle.

# Guidance for financial years 2023 and 2024

*In line with long-term strategic objectives*

**2023: Increase of sales guidance (€1,755 → €1,770 million) reaffirming net income at €300 million**

**2024:**

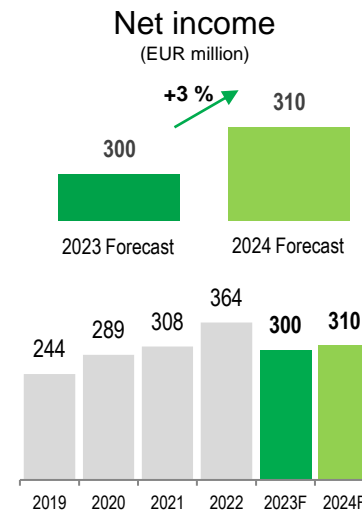
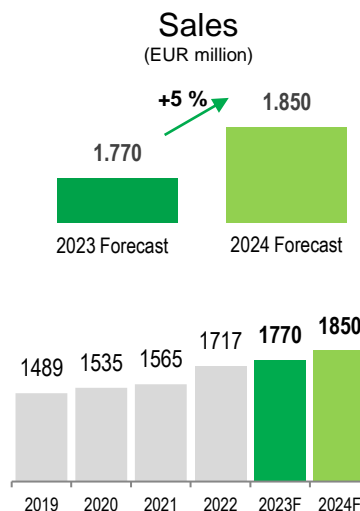
**Sales: €1,850 million**

**Net income: €310 million**



**CAPEX 2023: good €130 million**

**CAPEX 2024: €150 million**



**Average EBITDA margin of at least 25%**



*Living a healthy life.*

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