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Krka Group H1 2026 Performance Webcast

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BUSINESS PERFORMANCE PRESENTATION:

Gregor Gavranič

Good afternoon, ladies and gentlemen. Let me welcome you to today's webcast on the first half of 2026 business results of Krka Group. My name is Gregor Gavranič, I work in investor relations, and I will be hosting this event today. Joining me today are Mr. David Bratož, member of the Management Board, and Mr. Uroš Ožbolt, Finance Director. They will provide detailed insight into Krka's latest performance. After the presentation, there will be a Q&A part. May I remind you that this webcast is intended for a professional audience only, and is being recorded. Mr. Bratož, the word is yours.

David Bratož

Thank you. Good afternoon, ladies and gentlemen, also from my side. It is a pleasure to welcome you to today's conference call. In this first part, I will present our first-half 2026 results, and after the presentation, as Gregor said, we will open the floor to your questions. Thank you for your interest in Krka, and let us begin with key highlights of the first half of the year.

Krka delivered an excellent performance in the first six months of the year, achieving record sales of more than EUR 1.1 billion, and further strengthening profitability, as you can see. EBIT increased by 20%, reflecting continued sales growth and a favourable product mix, and ongoing improvements in operating efficiency. Growth was primarily driven by our prescription pharmaceuticals business, which remains the cornerstone of Krka's success, and accounted for most of the increase in sales. We recorded sales growth in most markets and regions. This confirms the resilience of our diversified international business model. At the same time, we continued to invest. We allocated EUR 100 million to research and development, introduced seven new products, and continued to implement key investment projects with the aim of expanding capacities and supporting long-term growth of Krka. The first half results, as you can see, also demonstrate the strength of our margins, which remained among the highest in Krka's history.

These results were driven by strong demand across many key markets, as well as an increasingly value-added product mix, with a growing number of single-pill combinations, successful launches of new products on certain markets, and continuous improvements in operational efficiency. All these factors contributed to this performance. The most important is that behind these financial results stands the trust of patients and healthcare professionals worldwide. Today, more than 100 million people use Krka's medicines every day. This reinforces our commitment to quality, innovation, and sustainable growth. Overall, the first-half results confirmed the successful execution of our strategy, and kept us well positioned to achieve our objectives for 2026.

Turning to sales performance by sales regions, in the first-half of 2026, sales of products and services reached EUR 1,114 million, representing growth of 7%.

Growth of EUR 68 million was generated across the majority of markets and regions, with Western Europe the only region recording a slight decline. Eastern Europe remained our largest region, accounting for 36% of total sales and generating EUR 405 million in revenue, an increase of 9% compared with the first half of last year. The Russian Federation remained our largest individual market and delivered strong growth of 15%. Central Europe is our second-largest region, where we generated EUR 257 million in sales, up 6%. Poland continued to perform well, with growth of 5%, and remained our second-largest market globally.

At the same time, we recorded solid growth across all other markets in this region, as you will see later. In Western Europe, Germany remained our key market with flat sales. Although we reduced our participation in tenders, sales in the region overall were only slightly below last year's level. Sales in the region overall were slightly below last year's level. We maintained strong positions and recorded solid growth in several important markets, including Finland, Ireland and Portugal. South-East Europe generated EUR 159 million, an increase of 8%, while our domestic market, Slovenia, recorded growth of 9%. We increased sales across all markets in region South-East Europe, and further strengthened our market-leading position in Slovenia. Particularly encouraging was the performance of overseas markets, where sales increased by 27%. This is the highest relative growth rate among all regions.

Overall, our first-half results, once again, demonstrate the strength of Krka geographically well-diversified business model. Growth was supported by a broad range of markets, regions, and products, providing both resilience and a solid base for further development.

As I had previously already said, the Russian Federation remained our largest market. We generated 15% growth in the first-half. This placed us second among international providers of generics in this large country of 145 million inhabitants. Good performance was supported by prescription medicines, some successful launches of new combinations, favourable demand trends, and the strong contribution of local production. Our Russian production site, namely, supplied more than 70% of all products sold in the Russian Federation. Different independent sources report different market growth figures. However, first-half market growth was in the range between 8-11%. Overall, market conditions remain quite favourable. The ruble has been relatively stable at around 90 rubles for 1 euro. Inflation is also relatively well contained at around 5.5% to 6%, and consumer purchasing power remains solid, despite some moderation in growth momentum. At the same time, the key interest rate is gradually declining, although it remains elevated at 14.25%.

In Ukraine, we remain the second largest provider of medicines, with sales growth significantly outperforming market growth. And despite these severe challenges, in this market, we maintained a strong competitive position in Ukraine with 7% growth.

Poland is our second largest market. Maintained its steady development with 5% sales growth. We remained the fifth largest provider of generics in this country. In Poland, the sales were driven by prescription medicines, most notably with statins, sartans, and analgesics. Also, antidepressants generated strong sales.

We recorded positive results across most other key markets, as you can see, in Central, Eastern, and South-East Europe, with particularly strong performances, for instance, in Belarus, up 15%, Hungary, up 11%. North Macedonia, Bosnia, Herzegovina, Latvia, and many others. At the same time, several overseas markets delivered even double-digit growth rates, which reflects the increasing contribution of these markets, which are outside our traditional core regions. These results were supported, especially in this region, by new product registrations.

Overall, the results confirmed that Krka's growth is not dependent on a limited number of markets. Our diversified presence, strong competitive positions, and continuous portfolio expansion continue to support growth across a broad range of countries. And importantly, growth was generated by both our largest and our smaller or mid-sized markets.

We have more than 1,000 products, and prescription medicines remain our core business, accounting for 85% of total sales and providing stability. Prescription medicines are not subject to a negative seasonal effect. Sales of prescription products increased by EUR 66 million, or 7%, and our portfolio is focused primarily on chronic diseases.

Cardiovascular medicines represent the largest group, accounting for over 50% of prescription medicine sales, including treatments for hypertension, cholesterol and anticoagulation. This is followed by central nervous system medicines, gastrointestinal medicines and painkillers. Product groups containing rosuvastatin, telmisartan, atorvastatin and duloxetine contributed the most to sales growth in the first six months of the year. OTC medicines represent our second-largest segment, accounting for almost 7% of total sales and supported by strong brands in cough and cold, pain relief and vitamins. OTC sales declined due to a weak flu season. In veterinary products, where sales increased by 5%, where our focus is on companion animals. This fast-growing segment already accounts for 80% of our total veterinary business.

Research and development remain one of Krka's key strategic priorities, and a major driver of our long-term growth. We consistently reinvest around 10% of annual sales into R&D activities, supported by more than 800 experts who are currently developing a pipeline of over 170 products. And during the first half of 2026, we extended our portfolio by seven new products. Six new products are prescription medicines and one is a veterinary product. New products come from the areas of diabetes, cardiovascular, CNS and one veterinary medicine for companion animals. It's also very important that we completed more than 300 registration procedures for both new and existing products across many markets, and thanks to this, we further expand our availability and reach of our portfolio.

Around 60% of R&D expenses are directed towards the development of new products, ensuring a continuous flow of launches and future growth opportunities. The remaining 40%, which could increase to 50% in the near future, is allocated to product lifecycle management, including quality improvements, regulatory compliance, optimisation of pharmaceutical and API manufacturing processes, and the ongoing enhancement of established and mature products. We believe this part is also extremely important and represents a significant competitive advantage for Krka. This balanced approach enables us, not only to expand our portfolio with new products, but also to continuously improve efficiency, quality and competitiveness across our existing product range, supporting sustainable growth and profitability.

Supporting sustainable growth and profitability over the long term. Our goal is to continuously reduce, for instance, impurities in medicines, and improve with this product quality. So, this combination of strong pipeline, regular launches and process, and product improvements remain the key drivers of Krka's future growth. We have built a leading position in innovative single-pill combinations, which simplify treatment, improve patient adherence, and support clinical outcomes and better clinical outcomes. These products are developed using advanced formulations, complex technologies, and in many cases, patented innovations. And to date, we have launched more than 200 single-pill combinations, and we have become one of the leading providers globally. Today, single-pill combinations account for more than 30% of Krka's total sales.

In some markets, our single-pill combination share is going towards 40% in total share of sales, and this represents one of the fastest growing and also the most profitable segments of our portfolio. Our product lifecycle management strategy focuses on continuously expanding the portfolio through new combinations and other value-added products. Consequently we are able to strengthen existing brands and address evolving patient needs in key therapeutic areas. Despite greater development and manufacturing complexity of combinations, combinations create significant value for patients and healthcare systems as well. This is reflected in Krka's global position, as we are currently ranked among the world's leading providers of cardiovascular single-pill combinations by volume. We see the single pill combinations as one of the most important drivers of our future growth, supporting portfolio differentiation and long-term profitability.

They are not only an important growth platform, but they demonstrate how Krka creates additional value through innovation.

Continuous investment remains a key pillar of Krka's long-term strategy. Our investment focus is on expanding and modernizing manufacturing, development, and quality capacities. We are currently implementing several major projects here in Slovenia, then also in China and India, to support the production. During the first-half, we continued upgrading production network with new packaging lines, robotic cells, expanding warehousing capacities, and modern infrastructure, further improving productivity, quality, and sustainability. A particularly important strategic project is our new production facility in India, which is progressing according to the plan. We're working very intensively to complete construction by the end of the next year, and to establish a state-of-the-art manufacturing and R&D site. That will initially increase Krka's production capacity, which is right now 20 billion tablets, by approximately additional 3 billion tablets annually. Together with our fully operational joint venture in China, and all other ongoing investment projects in Slovenia, this project will secure additional capacity, which is important for the long-term growth of Krka.

Turning to the balance sheet, Krka continues to maintain a strong financial position. We continue to actively manage working capital, with particular attention to inventories and receivables. While inventories decreased slightly compared with the end of the year, they remain at a level that ensures reliable supply and enables us to respond quickly to market demand. Given the complexity of global supply chains, maintaining appropriate inventories remains an important competitive advantage, and we aim to increase our stocks all the time.

Trade receivables increased during the first half of the year, mainly reflecting the strong sales performance. However, it is important to add that collections remain unhindered, and the quality of receivables remains high. With 95% of receivables being insured by an insurance company.

Turning now to the income statement, the revenue increased by 7% to more than EUR 1.1 billion. At the same time, gross profit grew significantly faster, rising by 12%, and lifting the gross profit margin from 58% to 61%. This improvement reflects a more favourable product mix. With a growing contribution from combinations, as well as continued improvements in operating efficiency. All operating expenses remained under control, meaning that, selling and distribution expenses, R&D expenses, and general expenses all increased at lower rates than sales.

As a result, operating profit increased by 20% to EUR 309 million, significantly outpacing revenue growth and further improving operating margins. EBITDA increased to EUR 357 million, while the EBITDA margin remained close to 32%. Net profit increased by 5% to EUR 260 million. The lower growth in net profit compared with operating profit was primarily due to less favourable financial results, reflecting foreign exchange volatility during the period. Overall, we are very pleased with the improvement in growth and operating profitability. The combination of strong demand, an improving product mix, successful new launches and continuous efficiency improvements enabled us to achieve one of the strongest profitability levels in Krka’s history.

Turning now to foreign exchange effects. Krka remains primarily exposed to movements in the Russian ruble, where we maintain a long position, while our exposure to the US dollar is generally short. As a result, developments in these two currencies have the most significant impact on our results. Other currencies had no material impact on the group's results. During the first half of 2026, exchange rate movements had an overall positive impact on the Krka results, contributing to a net financial result of EUR 10.7 million. The ruble remained favourable, appreciating by 3.7% against the euro. However, this positive impact was lower than in the same period last year. In the first half of 2025, the ruble appreciated by almost 29%.

Creating, at that time, an exceptionally strong positive contribution to the financial result, and therefore, I would say, demanding comparison base. As illustrated by the chart, short-term exchange rate movements related to Russian ruble can significantly affect individual quarterly or even yearly results. However, over longer periods, these effects tend largely to offset each other. Hedging the ruble through financial instruments remains very limited due to high costs. Therefore, we continue natural hedging whenever possible and also use, from time to time, factoring in order to decrease our ruble exposure and manage currency and credit risk at the same time. But as I said, overall, the currency impact contributed positively to profitability, although to a much lower extent than in the exceptionally good or favourable first half of 2025.

The first-half results confirm Krka's ability to combine strong sales growth with operational efficiency. Improved margins, manufacturing efficiencies and well-controlled costs supported record EBITDA, EBIT and net profit. The key message of this slide is simple: we are not only growing, but growing more profitably. The strong improvement in operating profit was driven primarily by business performance, while foreign exchange movements provided an additional positive contribution rather than being the main source of earnings growth.

Let me now conclude with a broader view of Krka's long-term performance. Over the last five years, we have continuously expanded our business. Revenue has grown at a CAGR of 6%. Then, at the same time, profitability remained at a very high level. Our 5-year average EBITDA margin exceeded 28%, while current EBITDA margins And EBIT margins are even higher. As a result, earnings per share have increased at an even faster rate than revenue. Achieving a 5-year compound annual growth rate of 7.3%. This reflects not only consistent growth in sales but also sustained improvements in profitability and value creation for our shareholders. Our objective remains unchanged, to continue growing faster than the market.

Capital allocation remains one of Krka's key strengths. We continue to follow a stable dividend policy, distributing at least 50% of annual profits for dividends. This year's dividend of EUR 9.1 per share, approved by the AGM and paid to shareholders today, marks our 27th consecutive dividend increase and reflects a 10-year CAGR of 13.1%. Over the last decade, we have returned more than EUR 1.7 billion to shareholders through dividends alone. The value paid today for dividends is 275 million euros. At the same time, we continue with share buybacks. By the end of the first-half, treasury shares represented 7.7% of total share capital, compared to 1.5% 10 years ago. In 2025 alone, more than 61 million euros were allocated to share buybacks. So, given our strong balance sheet, robust cash generation, and moderate leverage. Shareholders have approved a new 3-year buyback program. The program is intended solely for the cancellation of acquired shares and is aimed at further enhancing earnings per share and return on equity. We believe that this balanced approach, combining dividends and share buybacks, remains the most optimal or effective way to create long-term value for our shareholders.

Here we have some additional highlights related to Krka share. The excellent first half also reflected in Krka share performance. Our share price increased by 23% and closed at $250 at the end of June, bringing Krka's market cap to $7.6 billion at that time. An important fact of Krka's equity story remains its stable shareholder structure which provides long-term support for the share and contributes to lower volatility compared with many emerging market peers. Looking ahead, what is the most important, our focus remains unchanged, to deliver sustainable growth, maintain financial strength, and create long-term value for our shareholders.

Krka's long-term track record clearly demonstrates the strength and resilience of our business model. Between 2005 and 2025, sales increased at an average annual growth rate of 7.2%, while net income grew even faster, at 9.1%. Both outpaced growth in the global pharmaceutical market. This performance was driven by expanding sales volumes, a diversified product portfolio and strong market positions across Central, Eastern and South-East Europe. Today,

Krka holds leading positions in many of its key markets, providing a solid foundation for further development.

Looking ahead, our strategy remains unchanged. We will continue to strengthen our position in existing markets. We will try to achieve growth on our top markets, and further develop our vertical integrated model, development capabilities, and our presence. To conclude, the first half of 2026 confirms that Krka remains firmly on track to deliver its long-term strategic objectives. We continue to grow profitably, strengthen our market positions, invest in future development, and create value for our shareholders. Our guidance reflects confidence in the resilience of our business model and the opportunities we still see across our markets. We are targeting average annual sales growth of at least 5%, while maintaining an EBITDA margin above 25%, supported by regular investments in R&D, manufacturing capacities, and product portfolio expansion, while maintaining our strong market positions.

With our vertically integrated business model, consistent investment in development and manufacturing, and proven ability to execute, we believe Krka is well positioned to continue creating long-term value for patients, partners, shareholders and employees. For 2026, we expect continued solid growth. Sales are planned to reach EUR 2,144 million, EUR 103 million or 5% more than a year ago. CAPEX will also increase, while net profit is planned at EUR 405 million. The key message is that Krka's growth story is built on consistency. Over the past years, we have steadily increased revenue, profitability and earnings per share, while maintaining one of the strongest margin profiles in the generic pharmaceutical industry. With this, I conclude the presentation and we can begin the Q&A session.

Q&A SESSION:

Gregor Gavranič
Thank you, Mr. Bratož. We will now start the Q&A session. You are welcome to ask questions live by raising your virtual hand, and you will be given the word.

Vladan Pavlović
Could you comment on the very strong gross margin in the second quarter? It was 62%. Is this sustainable, or should we expect it to normalise towards a lower level?

David Bratož
Thank you, Mr. Pavlović, for the interesting question. We are doing everything we can to maintain such margins in the future, but at the same time we have to acknowledge that they are exceptionally high. This reflects a very good product mix, improvements in operational efficiency and favourable currency movements.

On a quarterly basis, the margins are extremely strong. It will be difficult to maintain them at this level, particularly because the third quarter is usually weaker. We will do our best to remain above the targets set in our strategy, and for this year. However, maintaining the second-quarter margin level over the long term would be very challenging.

Gregor Gavranič
Thank you. We have another question from Mr. Bram Buring. Mr. Buring, please go ahead with your question.

Bram Buring
Thank you for the clarification on margins; that was my main question. In addition, your production is expanding in India, and the Indian rupee continues to weaken. Has this been a factor in gross margin development over the last year and a half, or would you consider the impact immaterial?

Uroš Ožbolt
Yeah, I would say this is quite immaterial, since, let's say, majority of the contracts are denominated in US dollars, so basically the depreciation of Indian rupee has no direct impact on our profitability.

Bram Buring
Thank you. I have two more questions. In Western Europe, do you intend to remain selective when participating in tenders, or is this only a short-term approach?

David Bratož
We are always very cautious when we decide for tenders, because especially in Western European markets, the prices on tenders are quite low. This is what is happening in Germany, or Italy, or France. Of course, on the other hand, when our capacities will become much larger, then we will be again in a position, maybe, to be more eager to participate in some big tenders, because there is always effect of economies of scale. But still, as you said, especially this year in Germany, we decreased our participation in tenders. Thanks to this, we, as you saw, were successful in keeping the sales at the same level or flat, despite the fact that we decreased our offer in tenders. And on the other hand, it helps us to improve our profitability. For these reasons tenders require careful consideration. We will participate if we see the synergy that tender can help us to build market shares on these particular markets first, and secondly, also if tender quantities can help us to improve technology, or we can achieve the effects of the economies of scale.

Bram Buring
Thank you. My final question concerns the particularly strong growth in the Far East and Africa, and in China. Was this mainly due to the timing of shipments, or do you expect growth to continue at this pace for the rest of the year?

David Bratož
This is our smallest region, so the comparison base is relatively low and the high growth reflects a combination of factors. We have been very successful in markets such as Vietnam and South Africa, where we work systematically in a similar way to our traditional markets. At the same time, some markets are more volatile.

Iran, for example, depends heavily on the geopolitical situation. There is strong demand for certain products, including antidepressants, but we do not supply goods unless we are confident that payment will be received. In China, growth was extremely high, partly due to the timing of one important product shipment that shifted from the first quarter to the second quarter.

This timing effect explains part of the very high reported growth. Nevertheless, overseas markets are expected to grow at double-digit rates because they need to catch up with the other regions. We work systematically, although in these markets we often operate through partners rather than through our own subsidiaries. Overall, several factors contributed to the result, but overseas markets are expected to continue growing at double-digit rates.

There we quite often operate through partners and not always through subsidiaries as in other regions. So there is a combination of many factors for our success. We expect double digit growth in this region also in the future.

Matthias Teig
You had very fast growth in China. What is the outlook for the coming quarters in China, and what potential do you see in your presence in China over long-term?

David Bratož
China is a very promising market with around 1.5 billion inhabitants. We are currently present with almost 20 products and have many more in the pipeline. However, the market is highly competitive. We launch products selectively and only when we see long-term benefits. This is why our activities in China are developing relatively slowly. During the first half, we generated almost EUR 10 million in sales in China, with strong growth.

By the end of the year, we expect sales to be close to, but below, EUR 20 million. We also expect double-digit growth in the future. Considering the size of the population, the potential is much higher. We will see in the coming quarters what the figures imply for next year.

Branko Kecman
Do you have a plan to join Slovenia Biotech Hills project?

David Bratož
Thank you for the question. We are not currently members of this initiative. That is all I can say for the time being.

Vladan Pavlović
If single-pill combinations are now at 30%, or slightly higher. How much can it be in 5 years from now?

David Bratož
We expect the share of single-pill combinations to move towards 40% to 50%. This is of the highest importance to us globally, from the perspective of R&D, markets, healthcare professionals and clinical research. This is an area in which Krka has strong expertise and where

we see significant future potential. Sales of these combinations are growing, and many additional products remain in our pipeline.

Matthias Teig
You have a relatively large cash position. Do you have plans to use this liquidity for investments or acquisitions?

Uroš Ožbolt
Just today, there was a reduction in cash position, let's say that roughly 30%, because we paid out the dividend. But nevertheless, we have conducted many due diligence overviews for certain M&A projects.

We are open to opportunities, but we remain very selective. We seek businesses that overlap with our existing activities. We have not yet identified an opportunity with an attractive valuation and an acceptable risk profile. In potential M&A transactions, our main objective would be to enter new markets rather than acquire additional products, as our portfolio already includes more than 1,000 products. Targeting new markets is therefore the primary objective.

Gregor Gavranič
Dear ladies and gentlemen, we have reached the end of today's session. Thank you again for your participation. In case of any further questions, do not hesitate to reach out to our investor relations team. The transcript of today's webcast will be available on our website in the following days. Thank you again for your participation and have a nice rest of the day. Goodbye.

David Bratož
Thank you, and goodbye.

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