

Krka Group Business Performance Webcast

# H1 2023 Results

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20 July 2023



*Living a healthy life.*

# Krka Group Business Performance

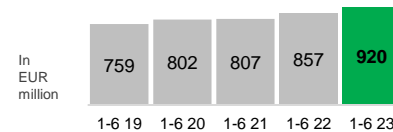
## H1 2023 Highlights

- ✓ Sales in H1 2023 accounted to **€920.4m; +7% yoy**
- ✓ **Maintaining strong profitability**, net income affected by FX
- ✓ **Net profit amounted to €170.1m; -28% yoy**
- ✓ Sales increased in all sales regions and in majority of sales markets
- ✓ Strong sales increase in Vet. (+23%), Spa. (+18%), OTC (+6%), and Rx (+6%)

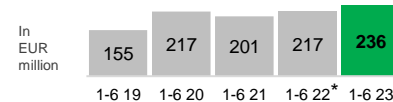
- ✓ RUB volatility affecting operating and net financial result → **- €29.4m net financial result**
- ✓ **5 new MA in H1; R&D: 9.3 % of revenue; CAPEX: €45.6m**
- ✓ Challenging environment in region East Europe continues

**2023 guidance: sales €1,755m, net income ≈ €300m**

**SALES 5Y CAGR: 6.2%**



**EBIT 5Y CAGR: 11.8%**



\*1-6 2022 EBIT is adjusted figure

**Remaining firmly on track with core strategic objectives**  
of vertical integration →  
**strengthening the vital elements of value creation chain**

# 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

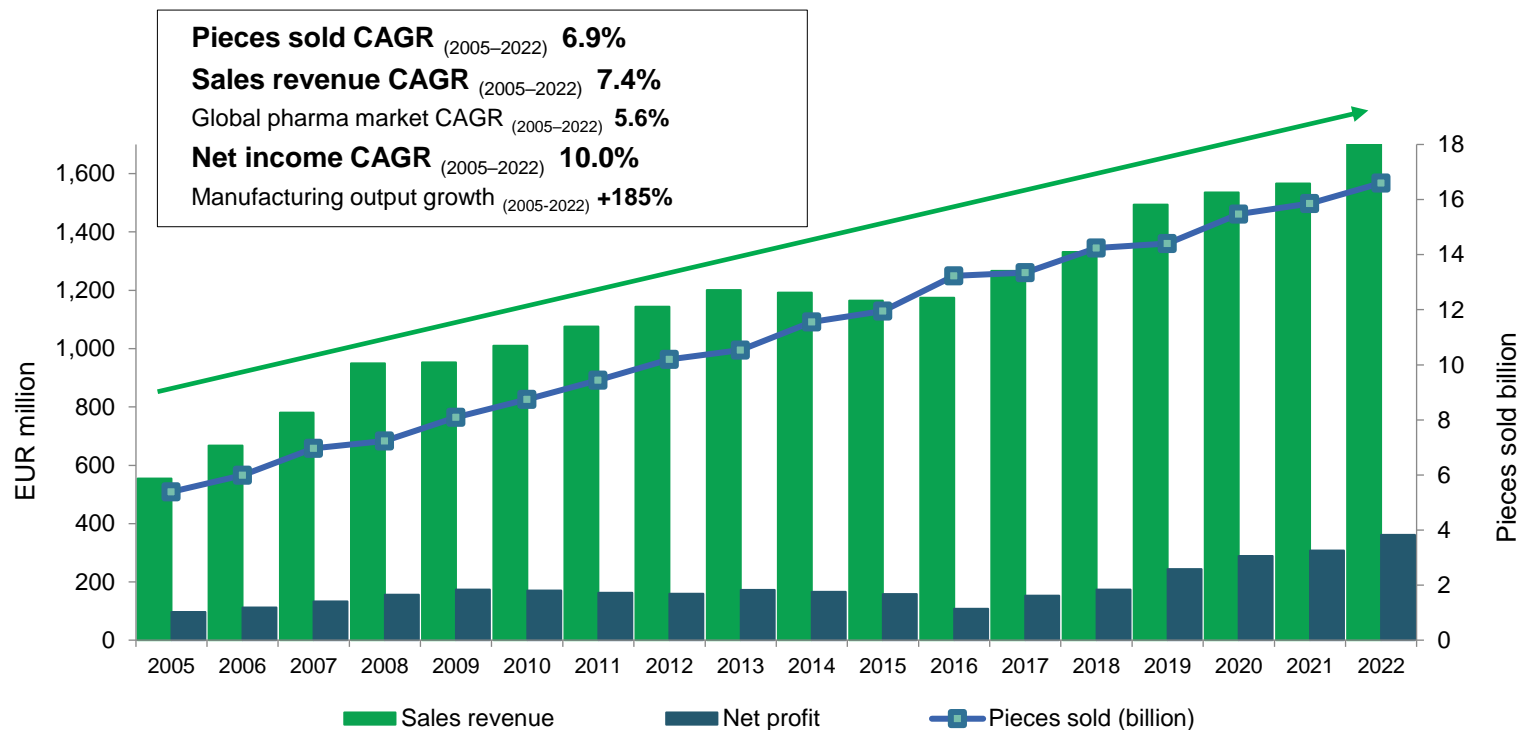
- Region Slovenia
- Region Central Europe
- Region East Europe
- Region South-East Europe
- Region West Europe
- Region Overseas markets

### Manufacturing locations

Slovenia | Russian Federation  
Poland | Germany | Croatia | China

# Long-term Stable Operating Business Growth

*Revenue rising along with manufacturing output*



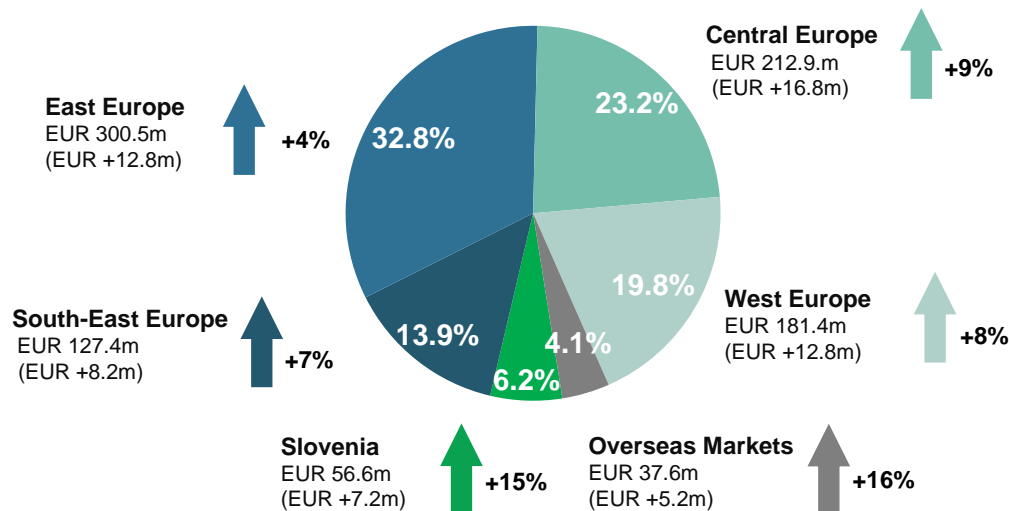
**THE BIG 5  
over 1b in  
sales volume**



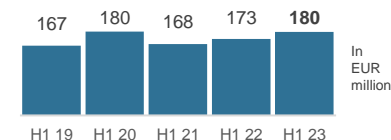
# Krka Group Sales by Regions

*Continuation of good sales dynamics*

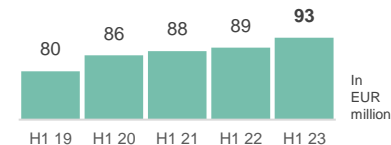
**H1 2023 sales: EUR 916.5 million of goods and services; (+7% yoy; EUR +63.0m)**



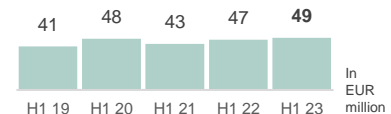
❖ **Largest market: Russian Federation Sales: EUR 180m; +4% yoy**



❖ **2<sup>nd</sup> market Poland; Sales: EUR 93m; +5% yoy**



❖ **3<sup>rd</sup> market Germany; Sales: EUR 49m; +4% yoy**

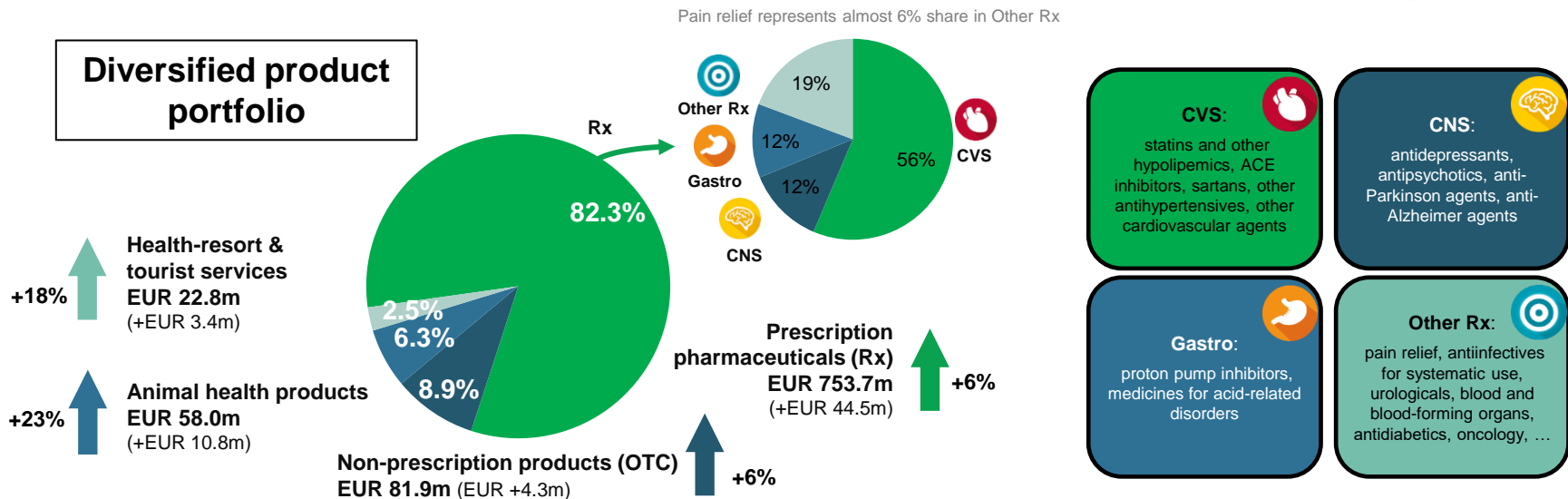


❖ **4<sup>th</sup> market Ukraine; Sales: EUR 39m; -16% yoy**



# Broad Product Portfolio

## *Sales by products and service groups in H1 2023*



**Krka is the leading manufacturer of statins, sartans and proton pump inhibitors in Slovenia and Central, East and Southeast Europe; pioneer in single-pill combinations; first to offer unique strengths globally; medicines available in variety of unconventional dosage forms**

# Research and Development

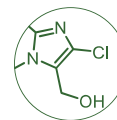
*Committed to continuous development of innovative branded generic products*

## 5 new MA for products in H1 2023

**Obtained 263 marketing authorizations** for existing 119 Rx, 3 OTC, and 141 VET products

### New MA in H1 2023:

- Perindopril tert-butylamine cardiovascular agent in China. Perindopril is the most widely researched ACE inhibitor in terms of clinical trials.
- Gliclazide antidiabetic, which was approved in the form of modified release tablets, effectively reduces blood glucose levels in diabetes 2 patients.
- We obtained a Certificate of Suitability to the monograph of the European Pharmacopoeia (CEP) for our antibacterial agent norfloxacin incorporated into the Krka medicine Nolicin.
- Sitagliptin and combination with metarminom antidiabetic.
- Rivaroxaban and gliklazidom registration in China.
- First generic in EU to launch Robexera/Regolia (robenokoksib) chewable for dogs.

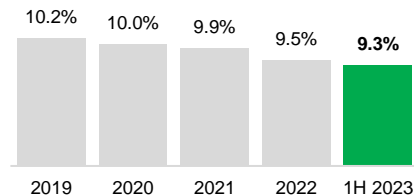


Strategic R&D target  
≈ 10% of sales

800 experts engaged in  
R&D

Over 170 products in our  
pipeline

### R&D expenses as % of sales



**Committed to highest quality and safety of our products**

# Krka's Innovative Medicines

*Innovative branded generic producer with own R&D*

## STATE-OF-THE-ART EQUIPMENT

Delivering the most demanding projects in terms of techniques and technologies

## ADVANCED PHARMACEUTICAL FORMULATIONS

Great possibility of differentiation to other generics and originator

## UNIQUE STRENGTHS

Tailoring the treatment to patients needs

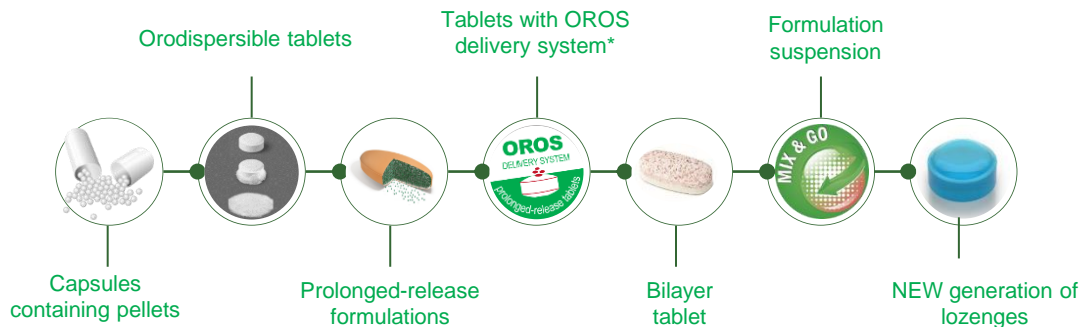
## UNIQUE SINGLE PILL COMBINATIONS

Synergistic action & improved adherence for patients

MORE THAN

**100**  
SPC

**800 products, 600 formulations** based on **250 active ingredients** (Rx, OTC & VET products)



1st generic manufacturer in the global pharma market to offer the triple SPC of perindopril, indapamide and amlodipine.

## PATENT-PROTECTED INNOVATIONS

**350** Patent applications for over innovations



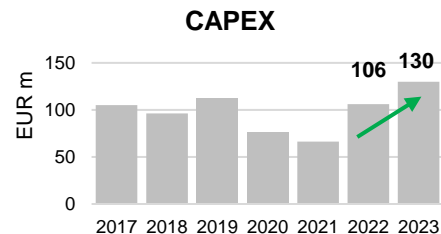
# Investments

*Strengthening the resilience and flexibility of our business model*

**CAPEX H1 2023: €45.7m; FY 2023 plan: €130m**

**Aiming the investments predominantly for increasing and technologically upgrading production facilities and capacities for development and quality management.**

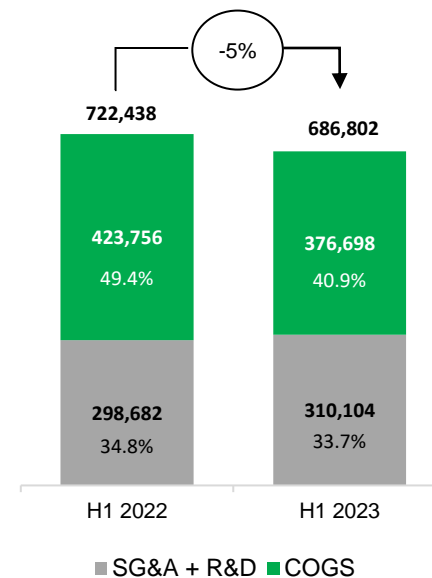
- ✓ Finished investing in the modernization and capacity increase at the Beta plant in Šentjernej (SI).
- ✓ Investments are underway in the modernization and increase of capacity at the Notal plant, the OTO solid form production plant, the powder and liquid product preparation plant in Bršljin and the Ljutomer plant (SI).
- ✓ Continuing the construction of the 6-storey multi-purpose building Paviljon 3 in Novo mesto (SI). It will contain rooms for the expansion of the microbiological laboratory and additional premises for several organizational units.
- ✓ In the production and distribution center in Jastrebarsko (HR), we are installing a new secondary packaging line, which will increase production capacities for solid forms of animal health products by 25 %.
- ✓ Krško API plant (SI): Integral building permit for the Sinteza 2, API plant and laboratories for chemical analyses and the environmental permit has been granted. Construction works are planned to start after the permit enters into force. The investment in line with our strategy of vertical integration is estimated at €163m.



# Consolidated Income Statement

*Maintaining high profitability*

EUR thousand	H1 2023	(%)	H1 2022	(%)	YoY
<b>Revenue</b>	<b>920,430</b>	<b>100</b>	<b>857,443</b>	<b>100</b>	<b>7%</b>
Costs of goods sold	376,698		423,756		-11%
<b>Gross profit</b>	<b>543,732</b>	<b>59</b>	<b>433,687</b>	<b>51</b>	<b>25%</b>
Other operating income	2,605	0	3,945	0	-34%
Selling and distribution expenses	172,490	19	174,917	20	-1%
R&D expenses	85,654	9	81,020	9	6%
General and administrative expenses	51,960	6	42,745	5	22%
<b>Operating profit</b>	<b>236,233</b>	<b>26</b>	<b>138,950</b>	<b>16</b>	<b>70%</b>
Net financial result	-29,377		137,809		
<b>Profit before tax</b>	<b>206,856</b>	<b>22</b>	<b>276,759</b>	<b>32</b>	<b>-25%</b>
Income tax	36,728		40,908		-10%
<b>Net profit</b>	<b>170,128</b>	<b>18</b>	<b>235,851</b>	<b>28</b>	<b>-28%</b>
<b>Basic earnings per share (EPS) in €</b>	<b>5.49</b>		<b>7.58</b>		<b>-28%</b>

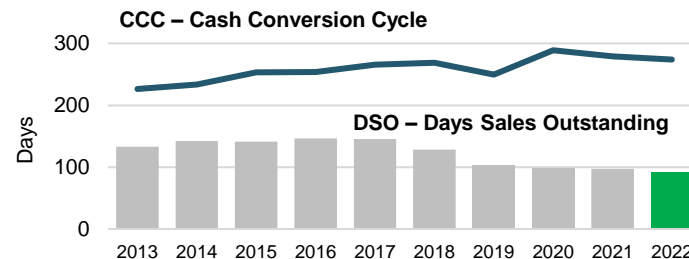
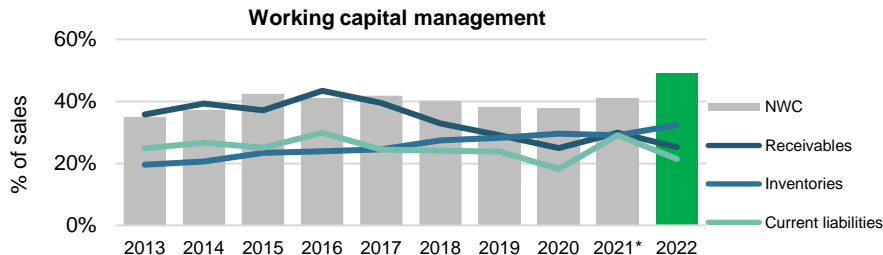


**Effective tax rate at 17.8%**

# Consolidated Statement of Financial Position

*Strong financial position without leverage burden*

EUR thousand	30.6.2023	(%)	31.12.2022	(%)	change	change %
<b>ASSETS</b>	<b>2,766,951</b>	<b>100</b>	<b>2,687,500</b>	<b>100</b>	<b>79,451</b>	<b>3%</b>
Non-current assets	1,037,557	37	1,125,025	42	-87,468	-8%
Current assets	1,729,394	63	1,562,475	58	166,919	11%
Inventories	556,885	20	553,332	21	3,553	1%
Trade receivables	434,816	16	402,730	15	32,086	8%
<b>LIABILITIES</b>	<b>2,766,951</b>	<b>100</b>	<b>2,687,500</b>	<b>100</b>	<b>79,451</b>	<b>3%</b>
Equity	2,246,235	81	2,118,616	79	127,619	6%
Non-current liabilities	132,358	5	132,130	5	228	0%
Current liabilities	368,395	13	416,861	16	-48,466	-12%



# FX Volatility Affecting Krka's Bottom Line

*FX impact on net financial result (NFR) by quarters*



- ✓ **The Group's net financial result for H1 2023 is -29 EUR m** (includes FX differences, the impact of financial instruments and other financial income and expenses).
- ✓ This year, the Group's half-year net financial result is approximately **167 EUR m** worse than in the same period last year, mainly due to the significant strengthening of RUB in H1 2022.
- ✓ In H2 2022, the value of RUB has declined, making the FY 2022 net financial result worse than in H1 2022. On an annual basis, we can expect a smaller difference in the NFR between the year 2023 and 2022.

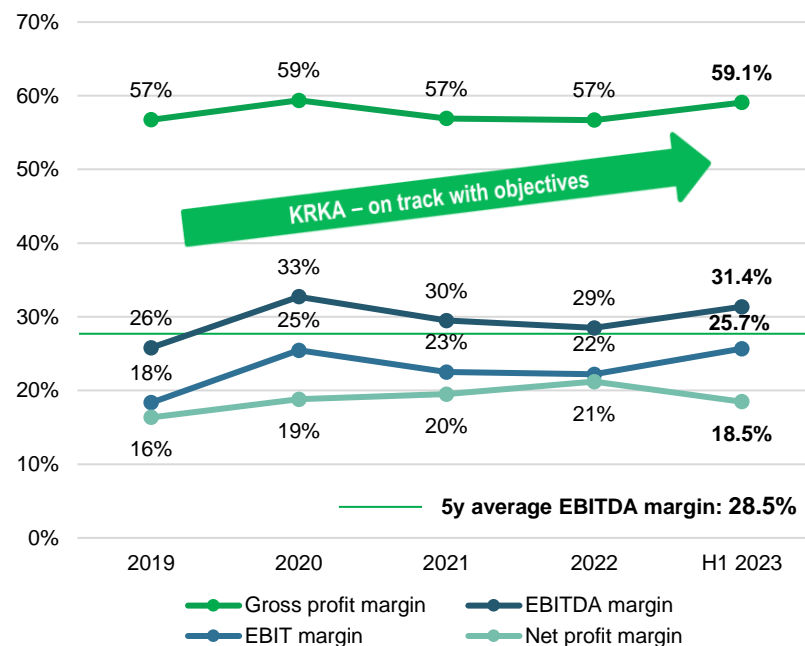
# Krka Group Operating Results

*Maintaining high profitability*

## Profitability

EUR million	H1 2023	H1 2022*	yoy
<b>EBITDA</b>	<b>288.6</b>	<b>270.1</b>	<b>7%</b>
<i>EBITDA margin</i>	31.4%	31.5%	
<b>EBIT</b>	<b>236.2</b>	<b>217.0</b>	<b>9%</b>
<i>EBIT margin</i>	25.7%	25.3%	
<b>Net profit</b>	<b>170.1</b>	<b>235.9</b>	<b>-28%</b>
<i>Net profit margin</i>	18.5%	27.5%	
<b>ROE</b>	15.4%	22.6%	
<b>ROA</b>	12.5%	17.6%	

## Margins development

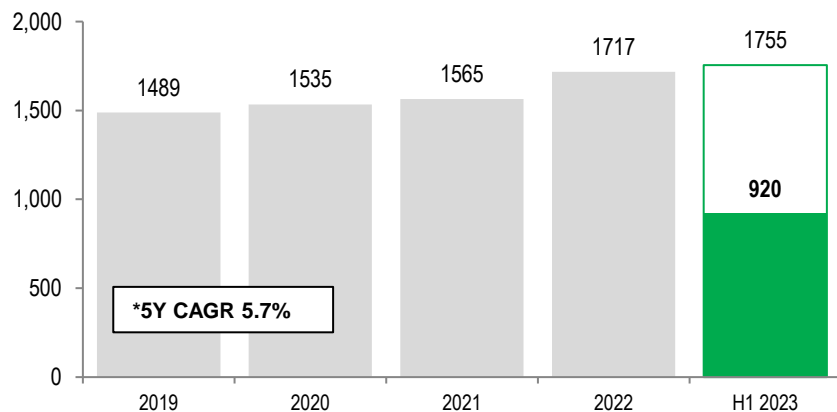


# Performance Indicators

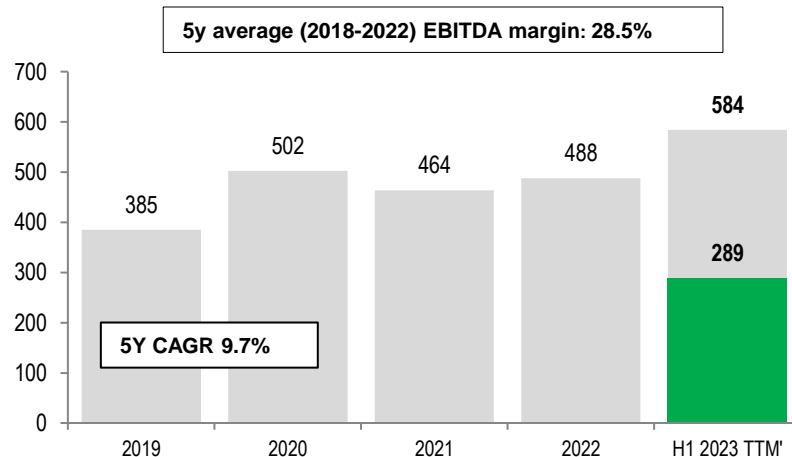
*Long-term focus*



## Sales in € million



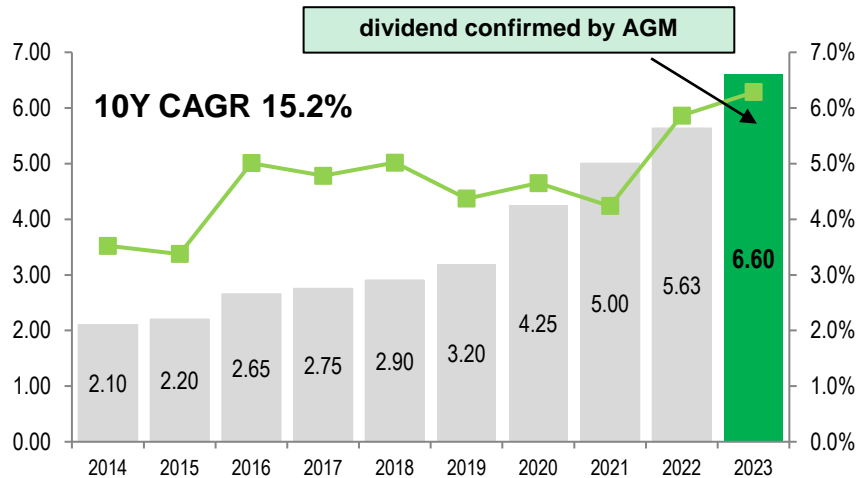
## EBITDA in € million



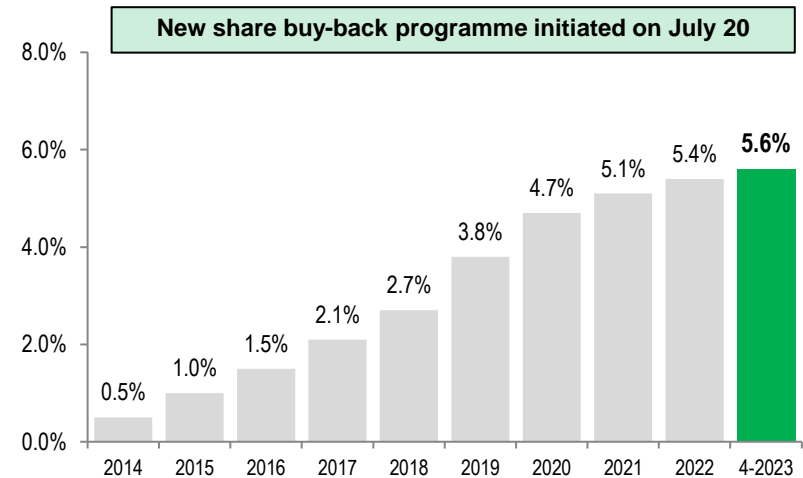
# Dividend Policy and Share Buyback

*Management committed to stable capital allocation*

DPS and dividend yield\* for the business year



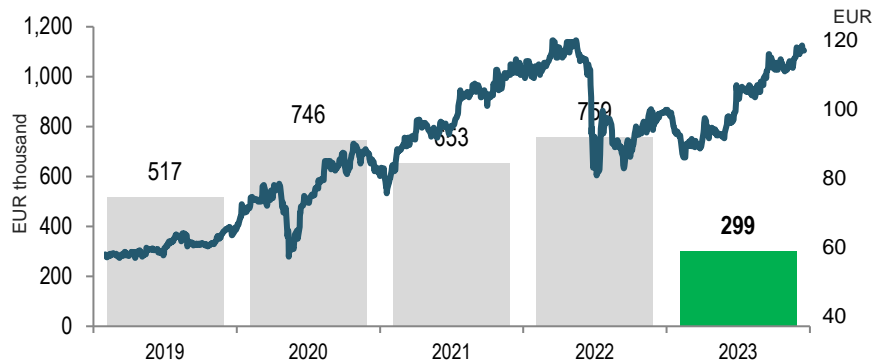
Treasury shares as of total



# Share Information and Shareholder Structure

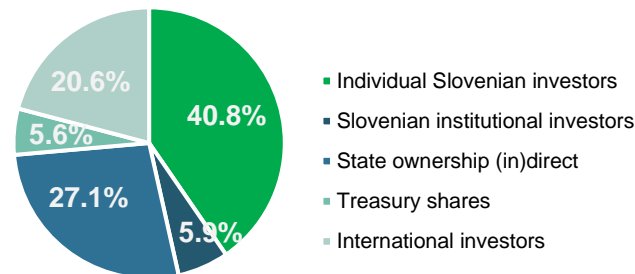
*Stable shareholder structure (KRKG SV)*

**Average daily turnover and stock price YTD**



- ✓ Market capitalization: EUR 3.8 billion
- ✓ P/E (TTM): 9.8
- ✓ No. of shareholders: 47.075
- ✓ Shares issued: 32,793,448
- ✓ Treasury shares: 1,821,128
- ✓ Market maker in place since FEB 2019

**Largest shareholders as of 30 June 2023**



Shareholder	(%)
State ownership (in)direct	27.10
OTP BANK, D.D.*	4.72
ERSTE GROUP BANK AG PBZ CROATIA OSIGURANJE*	4.06
CLEARSTREAM BANKING SA*	3.31
Luka Koper, d. d.	1.32
STATE STREET BANK AND TRUST.*	1.11
KDPW*	1.05
PRIVREDNA BANKA ZAGREB D.D.*	0.97
<b>Total</b>	<b>43.41</b>

\* Fiduciary account



# ESG Governance of Krka Group

*Adopting ESG policy & ESG goals*

Material ESG Topic Groups essential for long-term operating success of the Krka Group

-  **1** Product quality & patient safety
-  **2** Talent attraction & retention
-  **3** Good leadership & governance practices
-  **4** Accessible healthcare
-  **5** Planet & climate change
-  **6** Compliance, integrity & transparency

Strategic activities:



- ✓ **ESG policy** adopted by the management board & supervisory board is **Krka's strategic document on sustainable governance** with regard to the environment (E), society (S) & corporate governance (G).
- ✓ It sets out our **fundamental principles and efforts for sustainability, which we pursue** in our business operations and in relationships with various stakeholders.
- ✓ **ESG policy further upgraded with ESG strategy & goals.**
- ✓ **Obtaining ESG rating in 2023.**
- ✓ **Fostering sustainability culture and responsible conduct.**

# Sustainability Is Important Part of Krka

## *Selected ESG metrics & KPIs*

### E – Environmental

- ✓ Quantity of packaging materials **reduced by 42 tonnes thanks to returnable packaging system with our supplier**
- ✓ **We reduced paper use in 2022 by 9 tonnes** by optimising the patient information leaflet design.
- ✓ 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 CO2-eq** per year through our energy efficiency improvement projects.
- ✓ Specific use of energy (TJ/billion units): **77.4** (target 80.00 or trend of reduction). Reduced by 6% on average over the past few years.

### G – Governance

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

### S – Social

- ✓ **51%** of female employees in management positions, 60% of all employees are women.
- ✓ **51%** employees have at least a university degree, of which 207 are doctors of science and 391 are masters of science or specialists.
- ✓ **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.
- ✓ **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.
- ✓ **9.5%** of revenue invested for R&D.
- ✓ **44.8 hours** of average training per employee.

# Forward Outlook

## 2023 guidance and key challenges

### 2023 GUIDANCE:

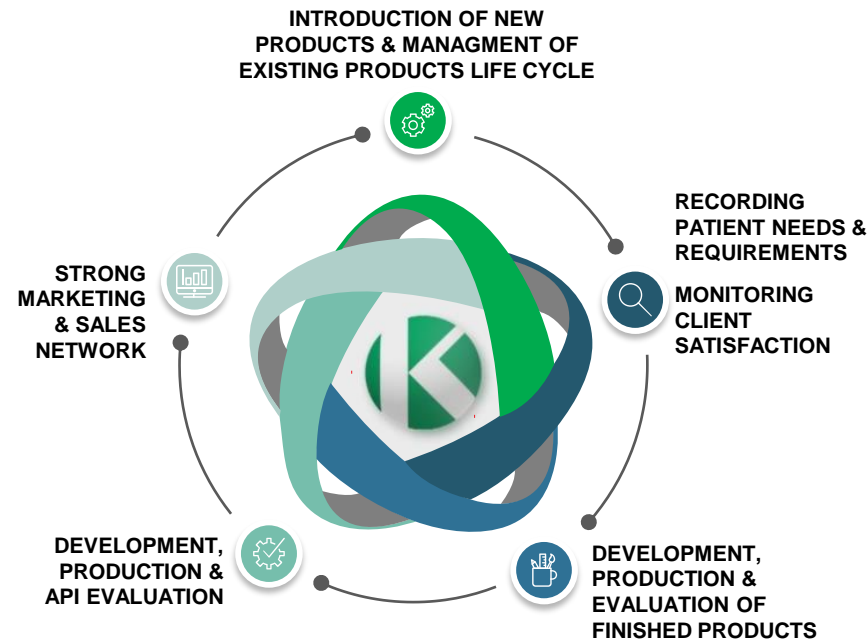
Sales €1,755m

Net income ≈ €300m

est. CAPEX: €130m

### Key risks & challenges:

- ✓ Geopolitical tensions
- ✓ Supply chain & logistics disruption
- ✓ Inflation pressures (energy, services, wages...)
- ✓ Undisturbed energy supply
- ✓ FX risk, rising interest rates & macro trends



# Financial Calendar & Contacts

## CONTACTS

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## FINANCIAL CALENDAR

Date*	Time*	
Thursday, 12 January 2023		Start of silent period
Thursday, 26 January 2023	12:00	Release of Preliminary Results for 2022
	12:00	Press conference on business performance in 2022
Thursday, 3 March 2023		Start of silent period
Thursday, 16 March 2023	08:15	Release of Non-Audited Unconsolidated and Consolidated Financial Statements for 2022
Thursday, 23 March 2023		Start of silent period
Thursday, 6 April 2023	08:15	Proposal for the dividend for 2022
Thursday, 6 April 2023		Start of silent period
Thursday, 13 April 2023	08:15	Release of 2022 Annual Report
Thursday, 4 May 2023		Start of silent period
Thursday, 18 May 2023	08:15	Release of January – March 2023 Interim Report
		29 <sup>th</sup> Annual General Meeting Notice
Thursday, 22 June 2023		Start of silent period
Thursday, 6 July 2023	13:00	29 <sup>th</sup> Annual General Meeting
		Release of 29 <sup>th</sup> Annual General Meeting Resolutions
Friday, 7 July 2023	08:15	Release of dividend shareholders' record date and dividend payment date
Wednesday, 19 July 2023		Predicted dividend shareholders' record date
Thursday, 20 July 2023		Predicted date of dividend payment to Central Securities Clearing Corporation
Thursday, 6 July 2023		Start of silent period
Thursday, 20 July 2023	08:15	Release of January – June 2023 Interim Report
Thursday, 2 November 2023		Start of silent period
Thursday, 16 November 2023	08:15	Release of January – September 2023 Interim Report

\* Central European Time. Dates and times are provisional and are subject to change.



*Living a healthy life.*

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