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URL: www.krka.biz

14 May 2026

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

Krka Group Q1 2026 Performance Results 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 quarter 2026 business results of the Krka Group. My name is Gregor Gavranič, I work in Capital Markets, and I will be hosting today's event together with Mr. David Bratož, Member of the Management Board, and Mr. Uroš Ožbolt, Finance Director.

They will provide detailed insight into Krka's first quarter performance. After the presentation, there will be a Q&A session. May I remind you that this webcast is intended for a professional audience only, not for media representatives, and is being recorded. Mr. Bratož, the word is yours.

David Bratož

Good afternoon, ladies and gentlemen, also from my side. It is a pleasure to welcome you to today's conference call. In the first part, I will share with you our first quarter 2026 results, and after the presentation, we will open the floor to your questions. Thank you for your interest in Krka.

Let us begin with the most important highlights. In the first quarter of 2026, the Krka Group delivered strong results, with revenue of 566 million euros and operating profit above 150 million euros for the first time in a single quarter. We achieved an EBITDA margin of around 31%, which reflects continued sales growth and sustained profitability.

Sales increased by 8%, and we recorded growth in most markets and across all product groups except OTC. Operating profit increased by 24% year-on-year. Net profit of 121 million euros was affected by FX volatility, while underlying profitability and cash generation remained very strong, supported by ongoing product mix improvement, new products and continued investments.

To wrap up, in the first quarter we recorded one of the highest margins in our history, including gross margin, EBITDA margin and EBIT margin. This is the consequence of good demand in many of our key markets and an improved product mix, again focused towards innovative, higher value-added products. These are combinations and new product launches. Together with our good marketing and sales force, this is the reason for our success in many markets. In addition, we continuously work on improving production and other operating efficiencies.

Krka's activities are geographically well diversified. We offer our high-quality and affordable medicines in over 70 markets worldwide. Eastern Europe remains our largest region, accounting for 35% of Krka's sales. In Russia, which is our largest individual market, we delivered very strong growth and retained our leading position among foreign generic pharmaceutical companies. Growth was driven primarily by new, higher-value prescription products and strong local production, where we produce more than 70% of quantities for this market. We recorded growth of 28% in euros and 14% in volume in Russia.

In Ukraine, which is also a key market, despite the unpredictable market environment we maintained our second position in the pharmacy segment and significantly outperformed market growth. Our volume growth in Ukraine was 5%, which was temporarily not enough to exceed a value sales index of 100, but this will most probably change in the quarters to come.

Growth was also recorded across most other regional markets in Eastern Europe, including Belarus, up 18%, and Moldova, up 6%. In Uzbekistan, which is also an important market, despite major changes due to officially registered maximum prices implemented at the end of 2025, we remain the leading provider of medicines on the market. According to the latest available data, we also achieved growth in quantities on this market, although this was not yet enough to grow in value.

Central Europe is our second-largest region, accounting for almost 24% of total sales. Poland is the leading market in this region, with very stable growth of 5% in value and 5% in volume. We ranked third among foreign generics in Poland. Our Warsaw production site plays an important role in manufacturing selected products for all Krka markets, which is different from our Russian sites, which produce only for the Russian market.

Sales also increased across all other countries in this region. We would particularly highlight Czechia, with 17% growth, followed by Hungary, Slovakia and all three Baltic states.

Western Europe follows with nearly 17% of sales. Germany remained our key market, with the strongest sales in cardiovascular and CNS therapies. We maintained leading positions in many combinations, including sartan medicines, as well as tramadol/paracetamol combinations and some other products. The highest sales increases in the region were recorded in Ireland, up 16%, and in the United Kingdom and Portugal.

Southeast Europe and Slovenia together contributed 20.6% of total sales. This was driven primarily by Romania, Croatia and Slovenia. We increased sales in all markets of these two regions, and the highest relative growth was recorded in Bosnia and Herzegovina, followed by Serbia and Greece. Our domestic market recorded an 8% increase, and we remain the market leader with almost 8% market share in value and 25% in volume. The Overseas Markets region recorded sales growth across all markets except the Middle East.

We have more than 1,000 products. Prescription medicines remain our core business, representing 84% of sales and providing us with long-term stability. Sales of prescription products increased by 42.5 million euros, or 10%. Half of that increase came from Eastern Europe and the other half predominantly from Central Europe, Southeast Europe, Slovenia and Overseas Markets.

Our portfolio is very well diversified and focused primarily on chronic diseases. Cardiovascular medicines are the largest group, representing over 50% of sales, including treatments for hypertension, cholesterol, anticoagulation and many others. This is followed by CNS and gastrointestinal medicines.

OTC medicines represent our second-largest segment, supported by strong brands in cough and cold, pain relief and vitamins. Sales unfortunately declined due to a weak flu season, but this segment represents only 7.5% of total revenues. In veterinary products, where our sales increased by 10%, the same growth as in prescription products, our focus is on companion animals, particularly cats and dogs. This is a fast-growing market segment, already accounting for 70% and more of our total VET sales.

Research and development is our strategic priority, with around 10% of sales consistently reinvested in R&D every year. More than 800 in-house experts are engaged in development activities, and we are currently developing around 170 new products. Approximately 60% of the R&D budget is allocated to new product development, while the remaining 40% is dedicated to lifecycle management of the existing products. This means that we work to improve the quality of established products, regulatory compliance and optimisation of production processes for established and mature products.

During the first quarter, we expanded our portfolio with four new products: two antidiabetic products, one CNS product and one veterinary product. In addition, we completed over 240 registration procedures for new and already established products in several countries, which is also an important fact.

We are a leading developer of single-pill combinations, with more than 150 launched to date. Many of them are based on innovative combinations of selected APIs and are developed to originator-like standards, meaning that they are supported by clinical trials. These products are one of the most important and strategically significant segments of our portfolio.

Our lifecycle management strategy focuses on continuous expansion of the portfolio through the targeted addition of new single-pill combinations. This is certainly one of Krka's strongest competitive advantages, and the share of combinations already exceeds 30% and is expected to grow further. These combinations support patient outcomes, they are generally more profitable, and they reflect advances in prescribing practices. Despite higher development and production complexity, they represent one of the most promising segments of our business. Krka is currently ranked number three globally in cardiovascular single-pill combination volumes.

As far as CAPEX is concerned, we are mainly investing in technological improvement of production capacities, R&D and quality assurance. Last year, for instance, we allocated 96 million euros to investments, and this year we plan to allocate 140 million euros.

On this slide, we listed some of the most important investment projects. For example, at Notol, which is our largest production site here in Slovenia, we replaced 16 packaging lines last year, which is quite a lot. We installed new robotic cells and upgraded washing and ventilation systems, which are very important parts of production facilities and production equipment.

Strategic investments also include joint ventures in India and subsidiary in China, which are also part of our vertically integrated business model. Our Chinese subsidiary is fully operational, leveraging long-term leased production facilities to supply both Chinese and European markets, and it holds a valid EU GMP certificate.

Recently, we strengthened our cooperation with Laurus Labs, our long-term strategic API partner, by establishing Krka Pharma Private Limited, a joint venture headquartered in Hyderabad. Krka holds a 51% stake and Laurus Labs 49%. We have started construction of a state-of-the-art facility that will include finished dosage forms manufacturing and an R&D centre. This is scheduled for completion in approximately two years, by the end of the next year. In the beginning, we will gain additional capacity of 3 billion tablets in India, with the potential capacity of up to 10 billion tablets annualy.

Here we have our financial results. In the first quarter, Krka generated 565.8 million euros in revenue, achieving solid 8% year-on-year growth, supported by strong demand across all key markets. We have ten key markets. We realised the highest operating profit in a quarter, at almost 152 million euros, an increase of 24%.

This was driven by an improving product mix and continuous productivity enhancements. The share of sales from combinations continues to rise, growing faster in value than in volume and outperforming mono tablets.

The foreign exchange impact on the net financial result was negative in the first quarter. As you probably remember and know, we have a long position in rubles and a short position in US dollars. The value of the ruble declined by 1.4%, while the value of the US dollar increased by 2.2%. Other currencies remained mostly stable during the first three months of this year.

Hedging of the ruble exposure with financial instruments is not reasonable and with limited options, mainly due to high cost of financial instruments. Therefore, we use natural hedging wherever possible and occasionally also apply factoring to reduce credit and currency exposure at the same time.

We recorded a net financial loss of 3.3 million euros during the first quarter, a decrease of around 60 million euros compared to first quarter of 2025, resulting from an extremely strong positive base effect in the same period last year. This was due to the strong appreciation of the ruble in the first quarter of 2025, following its more than 10% depreciation at the end of December 2024. Short-term currency fluctuations, particularly of the Russian ruble, may significantly affect the short-term net financial result of the Krka Group, as shown in the chart. However, this effect generally offsets over the longer term, as also shown in the chart on this slide. Taking into account today's exchange rate of around 86 rubles for one euro, the net financial result would be positive.

Net profit for the first quarter amounted to 121 million euros, which was the second-highest first-quarter result to date for Krka, after last year's first quarter. Year-on-year net profit decreased by 21%. However, compared to an average quarter of the previous year, net profit increased by 20%.

Overall, the first quarter results confirm Krka's ability to further deliver consistent growth, robust profitability and strong cash generation. All margins are stable and high. We achieved the highest EBITDA and EBIT in Krka's history. We are improving operational efficiency at all levels. Selling and distribution expenses, as well as R&D costs and general costs, have been very well contained and did not exceed revenue growth. This also contributes to overall margin growth.

This slide illustrates the sustained and robust growth in both revenue and EBITDA over the last five years, including this year. Revenue has achieved a compound annual growth rate of 6%, supported by strong performance across key markets and many other markets and product segments. EBITDA margin remains very solid, on average about 28%, highlighting the efficiency of our operations. In summary, consistent growth in sales and profitability over the last five years has also delivered strong growth in earnings per share, which achieved a CAGR of 7.3%.

Dividend policy is an important part of our capital allocation, and we remain committed to our long-term stable dividend policy, allocating at least 50% of annual profits to dividends each year. Our dividend has increased continuously for 26 years.

Today, we also announced the proposed agenda for the Annual General Meeting, which will be held on Thursday, 9 July. The proposed dividend for Krka shareholders is 9.10 euros gross per share, which is 10.3% higher than last year.

In addition to standard proposed resolutions, such as confirmation of the Annual Report and the proposal for a dividend, shareholders will also be asked to vote on a new three-year buyback programme for acquiring treasury shares in the future. This is part of our strategic capital allocation, with the aim of increasing earnings per share and having a positive influence on return on equity. We have very strong operating cash flow, which enables us to carry out share buybacks regularly. In our view, many investors value share buybacks in addition to good dividends.

Krka shares are listed on two stock exchanges, the Ljubljana Stock Exchange and the Warsaw Stock Exchange, and we have a rather stable shareholder structure with more than 48,000 shareholders. Slovenian private investors hold 41.5%, the state owns 27%, and international investors hold 18%. The current market price of the Krka share was 258 euros, and it has increased significantly in the last three years. Therefore, Krka's market capitalisation is well above 8 billion euros.

For 2026, we expect continued solid growth. Sales are planned to reach 2,144 million euros. This is 103 million euros more than a year ago, or 5% more. CAPEX will increase significantly to 140 million euros to support our long-term development. We plan a net profit at 405 million euros.

In mid-November last year, we also updated our five-year development strategy for 2026-2030. Our strategy was, and is, built on organic growth, supported by carefully planned market entries and consolidation of positions in existing markets, and on a strong focus on medicines for chronic diseases, where demand remains very stable due to demographic trends such as population ageing.

At the core of the strategy are three clearly defined strategic pillars. The first is providing access to medicines. Krka's primary mission is to ensure reliable and uninterrupted supply of high-quality medicines to more than 100 million patients across 70 markets. We focus on key therapeutic areas, particularly cardiovascular, diabetes, CNS and gastrointestinal diseases. A key differentiator is Krka's leading position in combination medicines. The strategic goal under this pillar is to achieve average annual sales growth of at least 5%, which is in line with or above market growth, and to be among the top five generics in all traditional markets.

The second pillar is vertical integration, which remains our backbone and Krka's competitive advantage. We continue to invest across the entire value chain, from APIs and development to production, quality control and other supporting activities, such as regulatory processes. This model strengthens supply security, operational resilience and flexibility, which is particularly important in an environment of stricter quality requirements and occasional market shortages in many markets. Key objectives include allocating around 10% of revenue to R&D and average annual investments of approximately 150 million euros.

The third pillar focuses on long-term value creation for all Krka stakeholders: investors, employees, patients and the wider community. Financially, Krka targets a long-term average

EBITDA margin of at least 25% and maintains a stable dividend policy, as I said before, with at least 50% of net profit allocated to dividends.

On the left-hand side of this slide, you can see our key material sustainability topics, with accessible healthcare and product quality and patient safety at the very top. Of particular note is our second audited sustainability reporting in accordance with the European Sustainability Reporting Standards. More than one third, or 130 pages, of the Annual Report are dedicated to this. For the third year in a row, we achieved a very strong ESG rating by S&P Global, placing Krka well above the pharmaceutical industry average and higher than most direct competitors,

This is the final slide for today. It shows our performance from 2005 to 2025. During this period, we have grown faster than the market. We continued to operate successfully also in the first quarter of 2026, with sales increasing by 8%. Our renewed strategy is not a revolution, but an evolution built on a strong foundation. The strategy was refined where necessary, and we remain focused on staying ahead in a changing environment.

We are a sales-driven company. Through our own marketing and sales network of more than 4,000 medical representatives and key account representatives all around the world, we expect further growth in both volume, which is very important, and value, which is ultimately the most important. Profitability remains our top priority, and we do not pursue sales at the expense of margins. We grow mainly organically, making our business more stable and still faster than the market.

Ladies and gentlemen, this brings us to the end of today's opening presentation. I hope you have gained a clear insight into the results for the first quarter, our outlook for 2026, and the basics of our updated strategy. Thank you, and now we can start with the Q&A part of the meeting.

Q&A SESSION:

Gregor Gavranič
Thank you Mr. Bratož. We are now starting with the Q&A session. You are most warmly welcomed to address your questions live by raising your virtual hand, and you will be given a word.

Bram Buring:
Two questions, please. Firstly, regarding Russia, you recorded very strong growth, both in ruble and in euro terms. It clearly stands out as an outlier in the run rate for that market. Could you explain why that is? And secondly, is the current pace of growth we saw in the first quarter sustainable for the full year?
The second question is regarding the gross margin. Again, I think it is probably linked to Russia, but could you go into a little more detail about what was driving the more than 200 basis points increase year-on-year? And again, is this sustainable for the full year 2026? Thank you.

David Bratož
Thank you, Mr. Buring, for your questions. The first one was regarding strong growth in Russia. This is based on very good demand for our products in this market. We are growing faster than the market. The pharmaceutical market is also growing in Russian rubles, in quantities and in euros as well. Taking into account our portfolio, which has shifted towards more and more newer products, I mean more efficient combinations and based on the good positioning of these products and systematic work with them, we realised an exceptionally good first quarter of this year. We are in the middle of the second quarter right now, and of course we cannot disclose what is going on, but basically, we are also doing successfully in this part of the year. We do not see any changes that would be less favourable for us. This is an effect of a systematic approach in this very promising and large market.

Bram Buring:
Is this growth sustainable for the rest of the year?

David Bratož
This is really exceptional growth, which was recorded during the first quarter. Normally, the first and the last quarter of the year are the strongest. The second quarter is also quite often, in this part of the world, supported by strong OTC sales if there is a strong flu season.

I cannot say that we will continue to deliver such high numbers. We will continue to perform and to do our best also in the future, but whether such growth is sustainable depends on market conditions. Most probably, such high numbers will not be seen on average in the following quarters. We believe there will be growth but let us say that more likely this growth will be double-digit growth and not above 20% in the longer term.

You also asked about gross margin and whether it is sustainable. Again, yes, we will do our best to continue this good performance in many markets. The first quarter was extremely good because many things in many markets were very favourable for us. There was good demand for our products, we improved production efficiency, and we kept costs under control. Based on this, the result was as it was. Maybe Uroš can explain this a bit more from the financial point of view, if there is something to add.

Uroš Ožbolt
The FX also strongly influenced sales, since on average the Russian ruble was around 7.5% stronger than in the first quarter of last year. All in all, we have reiterated the guidance for the year, which is mid-single-digit growth, so probably some moderation in growth rate during the year is fair to expect. But, as Mr. Bratož said, we will do our best to continue with the resilience we are showing.

Bram Buring:
Okay, so you are indicating that gross margin can remain in this range for the rest of the year, or did I get something wrong?

David Bratož
There are some fluctuations during the year, so not every quarter is the same. For the time being, the situation is good. If we continue to generate very good sales in the majority of important, or traditional, markets, meaning markets of extremely high importance for Krka where Krka has been present for decades, and if we continue producing and placing appropriate products that are deliverable and that will be delivered to the markets, and if there is good demand in the future, then we will see good levels of margins also in the future.

We cannot answer precisely whether the gross margin will be 60% or 59% or something like this. We have certain core figures and KPIs that we disclose, and we will do our best to exceed all the targets that we set as official ones.

Tea Pevec – question from chat
Could you provide more colour on underlying price versus volume contribution across Eastern European markets, particularly Russia, and Central Europe, particularly Poland and Czechia. She also added that Russia delivered exceptionally strong reported growth and asks how much of this growth was driven by pricing, FX and product mix.

David Bratož
Thank you. Basically, in both regions we had growth in volumes and in value. Talking about the Russian Federation, our growth in value was 28%, and in quantities it was 14%, and similar in rubles. It means that we are selling an improved product mix, moving towards more combinations, which are more profitable for us.

This is also very similar for other markets within Eastern Europe and Central Europe. We have growth in units and in value as well. We do not disclose this very precisely, but I already disclosed during the presentation that in Poland our growth in volume was 5%, followed by 5% growth in euros as well.

This means that in the majority of markets we are following volume growth. Prices can change during quarters and years, and normally we are not able to increase prices because the majority of countries use reference pricing systems. They reference prices between countries, and the systems rely on prices being among the lowest in many markets.

Therefore, the only possible way is to launch new products with better profitability, or better margins, and to replace older or less profitable products. In some rare cases, we are able to increase prices. This is the case in the OTC segment or when we have no competitors on the market and the state is very interested in having the product on the market. But these are very rare situations.

Generally, in the first quarter Krka recorded 8% growth in value without growth in volume overall. But talking about the two regions you mentioned, Eastern Europe and Central Europe, both regions generated growth in volumes as well. Even markets that recorded a decrease, such as Uzbekistan and Kazakhstan, generated increases in volumes, which indicates that in the quarters to come value should also follow.

Question from chat
Another question from the chat is regarding China. What were the sales in the Chinese market? What yearly growth rates do you expect there? And could you comment on the key drivers behind this performance, whether it was driven by underlying China demand or exports, and how sustainable current growth dynamics are in the coming quarters?

David Bratož
Sales in China were 4.5 million euros. That represented growth of 60% vs. Q1 2025, basically due to the fact that one important product was delivered in the first quarter of this year instead of the last quarter of the previous year.

Generally, this market is important. Yearly sales are around 15 to 16 million euros up to now. We have already launched 16 products, and five are in the final phase of registration. We are looking for different sales channels that would be profitable enough to suit Krka's model, and we are doing quite well, although unfortunately not as fast as someone might expect.

Still, we see this market as one of the important markets in the future also from a sales point of view. Of course, China is also very important as a production site for Krka's finished dosage forms.

Tea Pevec – question from chat
How does management currently assess long-term inflation dynamics across Krka's core markets compared to assumptions embedded in the previous five-year plan

David Bratož
We do not see any special differences or worries about it. Inflation is present in some markets and higher in some markets, while in other markets we can already see decreasing tendencies. Unfortunately, this has the highest negative influence on us through salary pressures.

Otherwise, talking about raw materials, energy and other costs, everything is under control. We do not see strong pressure right now or in the mid-term future, in the quarters ahead. Maybe Uroš has some other views.

Uroš Ožbolt
Inflation is currently a little elevated, also due to major geopolitical tensions and consequently the prices of crude oil and natural gas. But more or less our assumptions have not changed from November last year, when we presented the strategy. Everything is manageable. Energy and other input costs on our side do not represent such a significant portion that they would materially influence cost of goods sold.

Wages remain sticky as well. As you have seen from the report, I think this figure is by far the highest figure that is elevated and influencing costs. Labour costs currently represent around one fourth of total sales.

Tea Pevec – question from chat
One question regarding employee benefit expenses, which continue to increase strongly, we assume. Should we expect wage inflation pressure to remain elevated throughout 2026, particularly in Slovenia and Eastern Europe?

David Bratož
Again, this is something that is ongoing. On the other hand, employees know that there is a shortage of people willing to work, or to get them, and this is happening across Europe. That is why we are investing very intensively elsewhere, particularly in Asia, because in India we can find high quality workers and there is in general more work force available.

Here, we do our best to have control over this, and we are working market by market. But there are expectations everywhere, in Germany, in Slovenia and in some other markets. That is why salaries are growing, but still they are, I would say, at acceptable levels if we compare them with some of our peers.

Gregor Gavranič
If there are no other questions, we will end today's session. I believe we have answered the most important questions. With this I shall conclude this webinar today. So, thank you again for attending. In case you have further questions, you can easily 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 for participation and have a nice rest of the day. Goodbye.

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