

PRESS RELEASE

Krka Reports on 2021 Unaudited Financial Statements

Novo mesto, 17 March 2022

Krka, d. d., Novo mesto published 2021 unaudited financial statements of the company and the Krka Group on the Ljubljana Stock Exchange website. The statements were discussed by the Krka's Supervisory Board at their meeting yesterday. The Krka Group recorded revenue of €1,565.8 million, up 2% on 2020, the highest since incorporation. The Krka Group recorded unaudited net profit of €308.2 million, a €19.2 million or 7% climb on 2020, also the highest so far. The 2021 annual report will be released on Thursday, 14 April 2022.

The President of the Management Board and Chief Executive Jože Colarič explained: 'As we reported in January, the Krka Group performed successfully and in accordance with our expectations in 2021. Set side by side with the 2021 preliminary unaudited performance estimate for the Krka Group, revenue remained the same, but operating profit exceeded our estimations by €1.8 million and net profit by €3.5 million. The last year's business results indicate that we are flexible and well-prepared to adapt instantly to new opportunities and challenges in changing and demanding business situations thanks to our vertically integrated business model. The current situation in Ukraine and the Russian Federation has no impact on 2021 business operations. It, however, impacts current business operations of the Krka Group in the region. We have undertaken all actions in consideration of our social responsibility to keep our employees safe and ensure business continuity and uninterrupted supplies of our medicines, many of which are of vital importance for patients. The Krka Group sales estimate for the first quarter of 2022 is a few percent higher compared to the same period last year.'

Financial Highlights

€ thousand	Krka Group			Krka		
	2021*	2020	Index 2021/20	2021*	2020	Index 2021/20
Revenue	1,565,802	1,534,941	102	1,381,367	1,447,112	95
– Of that revenue from contracts with customers (products and services)	1,560,288	1,529,959	102	1,211,494	1,222,011	99
Gross profit	891,208	911,325	98	766,535	823,007	93
EBITDA	463,625	502,432	92	358,188	424,028	84
EBIT	354,788	390,744	91	273,325	338,882	81
EBT	362,417	338,992	107	285,956	297,831	96
Net profit	308,150	288,949	107	245,216	258,474	95
R&D expenses	154,559	153,447	101	150,232	150,727	100
Investments	66,386	76,613	87	49,493	61,311	81

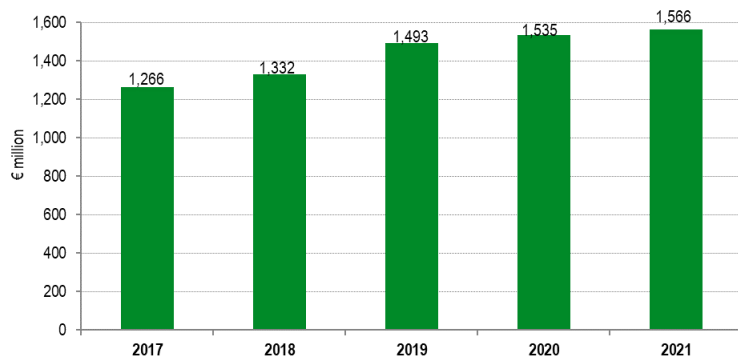
Performance Ratios

	Krka Group		Krka	
	2021*	2020	2021*	2020
Gross profit margin	56.9%	59.4%	55.5%	56.9%
EBITDA margin	29.6%	32.7%	25.9%	29.3%
EBIT margin	22.7%	25.5%	19.8%	23.4%
EBT margin	23.1%	22.1%	20.7%	20.6%
Net profit margin (ROS)	19.7%	18.8%	17.8%	17.9%
Return on equity (ROE)	16.8%	16.9%	13.4%	15.0%
Return on assets (ROA)	12.9%	13.1%	10.6%	11.9%
Liabilities/Equity	0.322	0.276	0.294	0.232
R&D expenses/Revenue	9.9%	10.0%	10.9%	10.4%

* The 2021 data are unaudited.

Krka Group Business Performance

Operating Income



In 2021, the Krka Group generated €1,565.8 million in sales, up 30.9 million or 2% on 2020. Revenue from contracts with customers on sales of products and services amounted to €1,560.3 million, while other revenue from contracts with customers on sales of material and other sales revenue constituted the difference. Over the past five years, average annual sales growth reached 5.9% in value, which is in line with the planned strategic objective of at

least 5% average sales growth annually.

Other operating income of the Krka Group amounted to €11.4 million.

Operating Expenses

The Krka Group operating expenses totalled €1,222.4 million, up €67.7 million or 6% on 2020.

Cost of goods sold amounted to €674.6 million, selling and distribution expenses totalled €305.9 million, R&D expenses added up to €154.6 million, and general and administrative expenses reached €87.4 million. Operating expenses accounted for 78% of sales revenue.

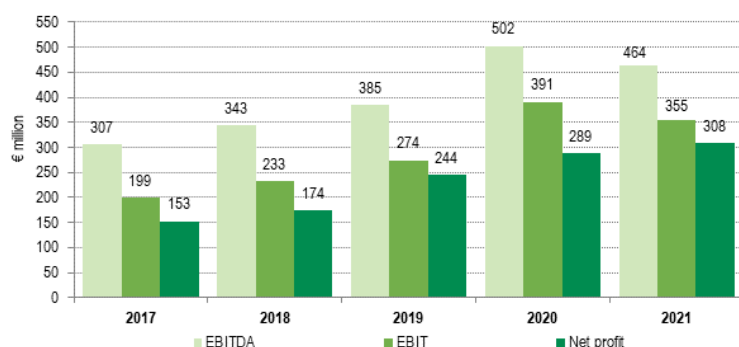
Costs of goods sold, which increased by 8% on 2020, represented the largest item in operating expense structure. They accounted for 43.1% of total sales revenue in 2021, and 40.6% in 2020. Selling and distribution expenses rose by 5% on 2020 and accounted for 19.5% of total sales, or 0.5 percentage points more than in 2020. R&D expenses accounted for 9.9% of total sales, down 0.1 percentage point compared to 2020 and up 1% year on year. General and administrative expenses amounted to 5.6% of total sales, a 1% increase on 2020. When expressed as a proportion of sales, however, they remained at the 2020 level.

Financial Income and Expenses

The Krka Group operates in diverse international environments and is exposed to foreign exchange risks in certain sales and purchase markets. The currency risk balance was positive, totalling €7.7 million in 2021 on the Group level.

Financial income comprised net foreign exchange gains of €15.1 million, derivatives income of €3.0 million, interest income of €0.8 million, income from dividends and other profit shares of €0.7 million, and other financial income of €0.1 million. Financial expenses comprised derivatives expenses of €10.5 million, interest expenses of €0.5 million, and other financial expenses of €1.1 million.

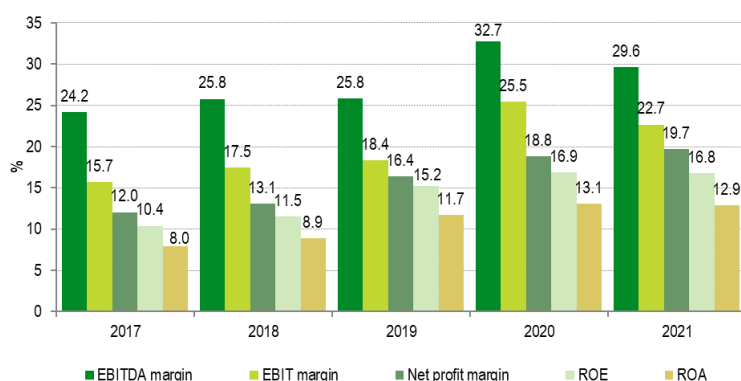
Operating Results



The Krka Group's EBIT amounted to €354.8 million, down €36.0 million or 9% on 2020. The drop is attributable to relatively high growth of operating expenses compared to 2020, when the COVID-19 pandemic had a strong impact. The Krka Group's EBITDA amounted to €463.6 million, down by €38.8 million or 8%.

In 2021, the Krka Group's profit before tax rose by €23.4 million or 7% to €362.4 million. The Krka Group's effective tax rate was 15.0%. **The Krka Group recorded net profit of €308.2 million, a €19.2 million or 7% climb on 2020.**

Performance Ratios



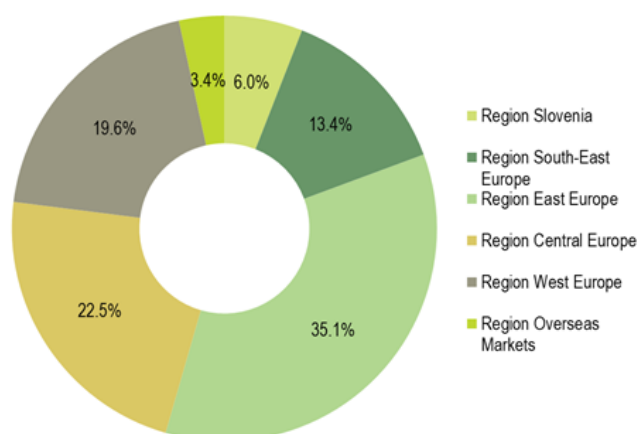
All Krka Group performance ratios are among the highest in the past five years.

Sales

All sales regions recorded sales growth, except Region West Europe. We increased sales of all product groups and services. We increased our sales volume by a good 2%, to more than 16 billion product units.

Krka Group Sales by Region

€ thousand	2021	2020	Index 2021/20
Region Slovenia	92,880	85,138	109
Region South-East Europe	209,166	199,406	105
Region East Europe	547,778	517,231	106
Region Central Europe	351,501	341,463	103
Region West Europe	305,246	341,057	89
Region Overseas Markets	53,717	45,664	118
Total	1,560,288	1,529,959	102



Region East Europe generated €547.8 million, accounting for 35.1% of Krka Group's sales total, and was the largest region in terms of sales. Sales increased by 6% year on year. In the Russian Federation, we made €332.9 million in product sales, a 2% rise on 2020. Sales growth denominated in the Russian rouble reached 9%. In Ukraine, product sales added up to €96.4 million, resulting in 12% growth. In Uzbekistan, our sales of products totalled €31.2 million, an 18% year-on-year increase. We also recorded growth in all other regional markets, except in Armenia and Tajikistan.

Region Central Europe, comprising the Visegrad Group and the Baltic states, followed with sales at €351.5 million, or 22.5% of total Krka Group

sales. We recorded 3% growth compared to the year before. Poland, the leading market, generated product sales of €166.7 million and recorded 2% growth. Sales growth denominated in the zloty reached 5%. Sales grew in all countries of the region. Absolute growth was the highest in Poland, and relative in Latvia.

Region West Europe made €305.2 million, accounting for a 19.6% share, and was the third largest Krka Group region in terms of sales. The sales saw an 11% drop on the year before, primarily due to price pressure and fewer product launches. Germany generated the strongest sales, totalling €80.3 million. It was followed by the Scandinavian countries, France, Italy, and Portugal. We recorded the highest sales growth in Ireland (13%), United Kingdom (9%), and Austria (6%).

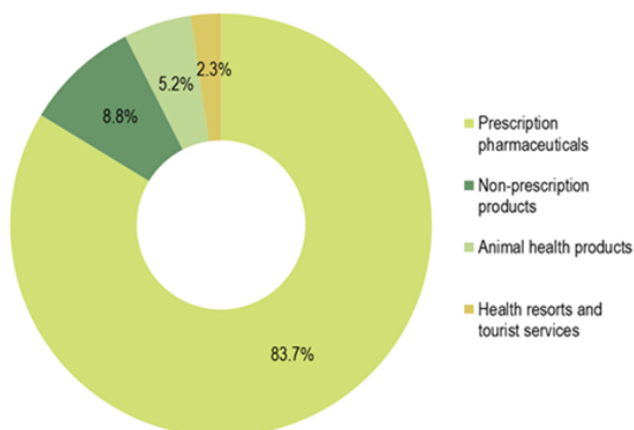
Product sales in Region South-East Europe amounted to €209.2 million, 5% higher than in 2020, and constituted 13.4% of total Krka Group sales. Romania, which generated sales of €58.6 million, and Croatia, with €36.1 million, remained our two leading markets in the region. We recorded the highest relative sales growth in North Macedonia, Serbia, and Bulgaria.

In Slovenia, sales reached €92.9 million, accounting for 6% of total Krka Group sales. Sales grew by 9%. Recording 2% growth, products sales constituted the bulk of sales total, i.e. €56.4 million. Health resorts and tourist services yielded €36.5 million, a 23% rise on 2020.

Region Overseas Markets accounted for a 3.4% share of total Krka Group sales and yielded €53.7 million in product sales, an 18% year-on-year climb. We achieved sales growth in most markets of the region.

Krka Group Product and Service Sales

€ thousand	2021	2020	Index 2021/20
Human health	1,442,566	1,424,292	101
– Prescription pharmaceuticals	1,305,316	1,300,640	100
– Non-prescription products	137,250	123,652	111
Animal health products	81,257	75,913	107
Health resorts and tourist services	36,465	29,754	123
Total	1,560,288	1,529,959	102



The Krka Group sales of prescription pharmaceuticals totalled €1,305.3 million, up 4.7 million or 0.4% on 2020, accounting for 83.7% of total product and service sales. Sales increases were recorded by all regions, except Region West Europe, ranging as follows:

- 21% Region Overseas Markets;
- 6% Region South-East Europe;
- 4% Region East Europe;
- 4% Region Central Europe; and
- 2% Region Slovenia.

Of our ten largest individual markets, relative sales growth of prescription pharmaceuticals was the highest in Ukraine, the Czech Republic, and

Slovakia; and of our other markets in the Middle East, Mongolia, Uzbekistan, and Belarus.

In 2021, top-ranking prescription pharmaceuticals also included medicines for treating cardiovascular diseases, the central nervous system, and gastrointestinal tract.

The ten leading prescription pharmaceuticals in terms of sales were product groups containing:

- valsartan (Valsacor, Valsacombi, Vamloset, Co-Vamloset, Valarox);
- perindopril (Prenessa, Co-Prenessa, Amlessa, Co-Amlessa, Roxiper, Roxampex);
- losartan (Lorista, Lorista H, Lorista HD, Tenloris);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza);
- rosuvastatin (Roswera, Co-Roswera);
- esomeprazole (Emanera);
- enalapril (Enap, Enap H, Enap HL, Elernap);
- candesartan (Karbisi, Karbicombi, Kandoset); and
- tramadol (Doreta, Tadol).

Sales of non-prescription products totalled €137.3 million, an increase of €13.6 million or 11% on 2020, accounting for 8.8% of total sales. Last year, on the back of the COVID-19 pandemic and the related measures, sales of non-prescription products dropped. Coughs and colds picked up again in the second half of 2021, spurring an increase in cough-and-cold product sales, our most important group of non-prescription products.

Sales of animal health products grew by €5.3 million or 7% to €81.3 million, accounting for 5.2% of total sales. The combination of milbemycin and praziquantel (Milprazon) was our best-selling animal health product in 2021. It was followed by products containing:

- fipronil (Fypryst, Fypryst Combo);
- enrofloxacin (Enroxil);
- florfenicol (Floron); and
- pyrantel/praziquantel (Dehinel, Dehinel Plus).

Products are marketed under different brand names in individual markets.

Health resorts and tourist services yielded €36.5 million, up €6.7 million or 23% on 2020, accounting for 2.3% of total sales.

Research and Development

We were granted marketing authorisations for 16 new products, of that 14 prescription pharmaceuticals, and two animal health products. We completed more than 200 registration procedures, obtaining more than 1,000 marketing authorisations for various products.

We obtained marketing authorisations for several prescription pharmaceuticals:

- Agents containing our new active ingredients, i.e. an antithrombotic agent Aboxoma (apixaban) film-coated tablets, also marketed as Abidalo; two oncology agents Abiraterone Krka (abiraterone) film-coated tablets

and Sunitinib Krka (sunitinib) hard capsules; and an opioid analgesic Apeneta (tapentadol) prolonged-release tablets, marketed also as Adoben;

- Our new fixed-dose combination for the treatment of diabetes, Vimetso (vildagliptin/metformin) film-coated tablets, marketed also as Vildakombi;
- Two cardiovascular agents based on a perindopril salt, new in our range of products, i.e. monotherapy Prenessa (perindopril arginine) tablets, in markets also available as Prenessa Neo, Prenessa As, Neoprenessa, Arprenessa, or Perineva; and a fixed-dose combination of perindopril arginine and indapamide, Neoprenewel tablets, in markets also available as Prenewel Neo, Co-Prenessa, Co-Prenessa Neo, Prenessa-As, Coarprenessa, or Co-Perineva;
- Two products containing established active ingredients in a new dosage form of dispersible tablets, i.e. Doreta (tramadol/paracetamol); and Hiconcil (amoxicillin);
- Cardiovascular agents containing atorvastatin, rosuvastatin and losartan in China; and the oncology medicine lenalidomide in the Russian Federation. We carried out new market-based studies for them;
- The agent for reducing high cholesterol levels Ezoleta (ezetimibe) based on an optimised active ingredient.

We added a fixed-dose combination Cladaxxa, (amoxicillin/clavulanic acid), marketed also as Twinox, from our antibiotic range to our animal health portfolio, and our new formulation of the fixed-dose combination Milprazon (milbemycin/praziquantel) antiparasitic tablets for dogs, also marketed as Amcofen, Mektix, or Milgusto.

We continuously upgrade, improve, and bring our established products in line with the latest trends and requirements, then file marketing authorisation applications for regulatory variations with regulatory authorities for our revised products. In 2021, we applied for more than 36,000 variations.

In 2021, we filed 12 patent applications for new technological solutions evaluated as inventions at the global ranking level. Based on priority applications from 2020, we submitted four international patent applications. We were granted three patent rights in various countries. More than 200 valid patents protect our technological solutions.

We filed 42 applications for Krka trademarks in Slovenia. We also filed 29 international and 27 national applications for trademarks. More than 1,100 trademarks are registered in several countries.

Investments

Investments made in 2021 by the Krka Group amounted to €66.4 million, of that €49.5 million in the controlling company.

Our major investments currently in progress are stated below.

- The increasing demand for additional capacities has incited us to acquire extra technological equipment for Noto 2, our plant for solid dosage form production. The estimated investment total is €41 million, and we spent €8.5 million in 2021. When technologically equipped, its full manufacturing capacity is expected to reach 5 billion tablets and its full packaging capacity 8 billion tablets per year.
- We plan to refurbish the packaging facility and replace the packaging lines with upgraded versions in the old part of the Noto 2 plant. The investment is estimated at €38.2 million. We intend to upgrade and renew the automated washing systems of the same plant in compliance with GMP guidelines. The investment is estimated at €3.1 million.
- In the Solid Dosage Form Products plant (OTO in Slovene), we are investing €26 million in additional capacities for compression mixture preparation and granulation in the tablet compression process, and in logistic capacities.
- We are bringing to the end several investments in our development-and-control facilities in total of €8.2 million.
- We renovated the temporary storage room of the warehousing section of the Ljutomer (Slovenia) manufacturing plant in compliance with the standards of good warehousing practice and health and safety at work. We apportioned €2 million to the investment. We also plan to increase the production capacities for granulation and packaging. The investment is estimated at €13 million.
- At our Slovenian Beta Šentjernej Plant, we upgraded the systems and equipment in compliance with ATEX standards. We also plan to increase the production capacity for preparation of dry granules. Total investment is estimated at €2.6 million.
- We plan to construct a new multi-purpose building, Paviljon 3, in Novo mesto (Slovenia). It will house an extension for our microbiology laboratory and additional rooms for several organisational units. Project

documentation for this €18.6 million investment has been completed, and the construction works are expected to start in March 2022.

- We are currently investing in increased capacity for production of compressed air and new utility lines for energy supplies to manufacturing facilities. The cost of energy infrastructure extension at our Novo mesto production facility is estimated at €2.5 million.
- We intend to build new facilities for development and production of active pharmaceutical ingredients (APIs) in Krško, Slovenia. The designs for execution have been drawn up and the process of obtaining the required consent to build production plant for manufacturing active pharmaceutical ingredients Sinteza 2 and laboratories for chemical analyses (Kemijsko-analitski center in Slovene) are under way. The investment worth €163 million agrees with our strategy of vertical integration, according to which Krka controls all product stages, from product development to its production.
- The Krka-Rus plant in the industrial zone of Istra, a town north-west of Moscow, is one of the key investments in Krka subsidiaries abroad. The plant manufactures more than 75% of products we sell in the Russian Federation, giving us the status of a domestic producer in the country. In the next few years, we plan to further increase its production and laboratory capacities. The investment was estimated at €35 million. In 2021, we allocated €5.7 million for it.
- We continued to purchase manufacturing and quality control equipment for our joint venture Ningbo Krka Menovo in China. In China, we manufacture products for markets outside the country, and since January 2021, we have also been manufacturing the first product intended for the Chinese market. In the first quarter of 2022, we intend to add three more products.

Employees

At the end of 2021, the Krka Group employed 11,511 persons of whom 46% or 5,273 worked outside Slovenia. The proportion of Krka Group employees with at least university-level qualifications was 51%, of that 207 employees held doctoral degrees. Together with agency workers, the Krka Group employed 12,459 personnel.

Share and Investor Information

In 2021, the price of Krka share on the Ljubljana Stock Exchange increased by a good 29% to €118.00 at the end of the year. Market capitalisation of Krka amounted to €3.9 billion. At the end of the year, Krka had 46,820 shareholders, down 1% on year-end 2020. The shareholding structure, with 38.8% of domestic retail investors (natural persons) and 22.2% of foreign investors, is stable and without any major changes.

In 2021, we allocated €15.3 million to treasury share purchasing and €156 million to dividend payouts. We acquired 142,134 treasury shares, and as at 31 December 2021 held a total of 1,683,908 treasury shares, accounting for 5.135% of share capital.

In 2022, we acquired another 21,689 treasury shares, tallied at 1,705,597 treasury shares (5.201% of share total).

Situation in Ukraine and the Russian Federation: Impact on Krka Group Operations

We conduct business in Ukraine and the Russian Federation, sales Region East Europe, through three subsidiaries and the controlling company, Krka, d. d., Novo mesto. The registered office of our subsidiary Krka Ukraine LLC engaged only in marketing, but not manufacturing, is in Kyiv. The registered office of Krka-Rus LLC engaged in pharmaceutical production is in Istra, a town in the vicinity of Moscow. Main offices of Krka Farma LLC, a company engaged in marketing and sales, are in Moscow.

Product sales in the Russian Federation, our largest individual market, totalled €333 million in 2021, or 21.3% of total Krka Group sales. This ranks us second among all generic manufacturers of pharmaceutical products in the country. In 2021, Ukraine was our third largest market, creating €96 million in pharmaceutical product sales, or 6.2% of total Krka Group sales.

We go to great lengths to protect health and safety of our employees in Ukraine. In the beginning of March, we have supplied medicines in total of €100,000 to Ukraine as a donation for humanitarian purposes. We supply pharmaceutical products according to expectations and circumstances. We recorded €40 million of trade receivables due from Ukrainian customers. Our trade receivables have insurance coverage for commercial credit risk. In Ukraine, we are not directly exposed to currency risk, since we conduct business transactions in the euro. Our products kept in stock at distributors and pharmacies are expected to last a few months. We estimate Ukrainian

sales in the first quarter of 2022 at €25.9 million compared to €22 million generated in product sales in the same period last year.

In the Russian Federation, business activities have been fairly unhindered. This applies to product registrations, production, marketing and promotion, sales, distribution, and payments. Transport takes longer, so we have engaged extra vehicles. Our products face decent demand. We have established additional controls over trade payables, constantly monitor liquidity of our business partners, and intend to adapt our activities immediately in case of any inexplicable payment delays. The production at our subsidiary Krka-Rus runs uninterruptedly. The plant manufactures more than 75% of all products we sell in the country. According to our business continuity plan, we immediately undertook activities necessary to ensure uninterrupted production. Contingency stocks of raw and key materials in the Russian Federation should accommodate production for a few months; however, we are increasing them further.

Krka holds various types of tangible assets in the Russian Federation, including business and production premises and equipment, vehicles, input materials, finished product inventories, etc. We have concluded insurance policies with coverage for any property losses and liabilities. We sell our products in national currency and are hence exposed to currency risk. Current depreciation of the rouble generates foreign exchange losses and affects the financial result. Trade receivables due from Russian customers amount to approximately RUB 14 billion. All trade receivables are insured with a credit insurance company. We estimate sales in the first quarter of 2022 at €79.9 million compared to €79.4 million generated in product sales in the same period last year.

The Russian rouble holds important share in the currency transaction structure and in the Krka Group asset structure. A major portion of the position in the rouble is offset by liabilities in the currency, as we settle salaries and taxes of our Russian employees, energy supplies, packaging materials, and part of indirect and other costs in the Russian rouble. The remaining exposure to the Russian rouble is partly hedged with derivatives, up to 50% of net exposure, which improves the result if the rouble depreciates. For the time being, hedging against exposure to the Russian rouble is not possible from April on.

Key short-term risks include the current situation in Ukraine, economic restrictions, volatility and depreciation of the Russian rouble, and credit risk. Medicines are not included in the embargo. This applies to sanctions against the Russian Federation as well as for the Russian sanctions on the import of goods. In our opinion, other markets and sales regions will not sustain direct harm on the account of the present situation. The indirect impact on all other markets of Region East Europe will depend on duration of situation in Ukraine and the Russian Federation.

Krka has been present on the markets of Region East Europe for over 50 years. We have encountered several challenges that affected our business operations through devaluation of national currencies and decreases in demand. In the long term, however, we managed to strengthen our market position after each such situation. Our robust operations are based on the system of vertical integration, which ensures resilience against external shocks and responsiveness to rapidly changing market situation.

In 2021, we manufactured 16 billion pieces of pharmaceuticals in various dosage forms and strengths and supplied them to over 50 million patients per day on average in 70 countries across the world. We intend to further endeavour to act in a socially responsible manner also this time and provide for uninterrupted supplies of our medicines, many of which are vitally important for patients.

Present situation does not affect the 2021 business result of our Company. The 2021 report is due for publishing on 14 April 2022. On account of rapid changes and their unpredictability, it is not possible to reliably forecast the impact of the situation in Ukraine and Russian Federation on our business operations in 2022 and any long-term consequences. Krka has a strong capital structure, generates a strong cash flow from operations and has no financial debt, so its successful business performance in the long run is not jeopardised. Our Management Board closely monitor events and implement all necessary activities to ensure business continuity in the two countries. They also take measures to manage operational risks and reduce the eventual negative impact on business results. The Management Board will prepare and publish the eventual revision of guidance for 2022, when and if tangible assessment of short and long term implication of current situation is possible. The results for the first quarter of 2022 will be published on 19 May 2022.