

Krka Group Business Presentation

# FY 2022 Preliminary Results

January 2023



*Living a healthy life.*

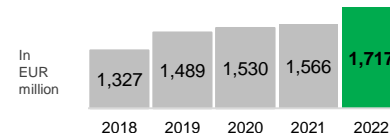
# Krka Group Business Performance

*Preliminary 2022 highlights*

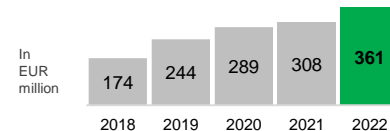
- ✓ **Record 2022 sales accounted to €1,717.5m; +10% yoy**
- ✓ **Highest net profit of €361.1m; +17% yoy**
- ✓ Sales increased in all 6 regions and all products & service groups
- ✓ Strong rebound in OTC sales and health resorts & tourist services

- ✓ Challenging environment in RUS & UA remain → duration and long-term impact hard to predict
- ✓ RUB volatility affecting operating and net financial result → **+€51.8m net financial result**
- ✓ **Management adopted ESG policy and ESG strategy → establishing upgraded framework for adequate ESG governance**
- ✓ **2023 guidance: sales €1,755m, net income ≈ €300m**

**SALES 5Y CAGR: 6.3%**



**NET INCOME 5Y CAGR: 18.8%**



**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

**48 subsidiaries** outside Slovenia:  
**45% of all Krka Group workforce**

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

**Almost 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

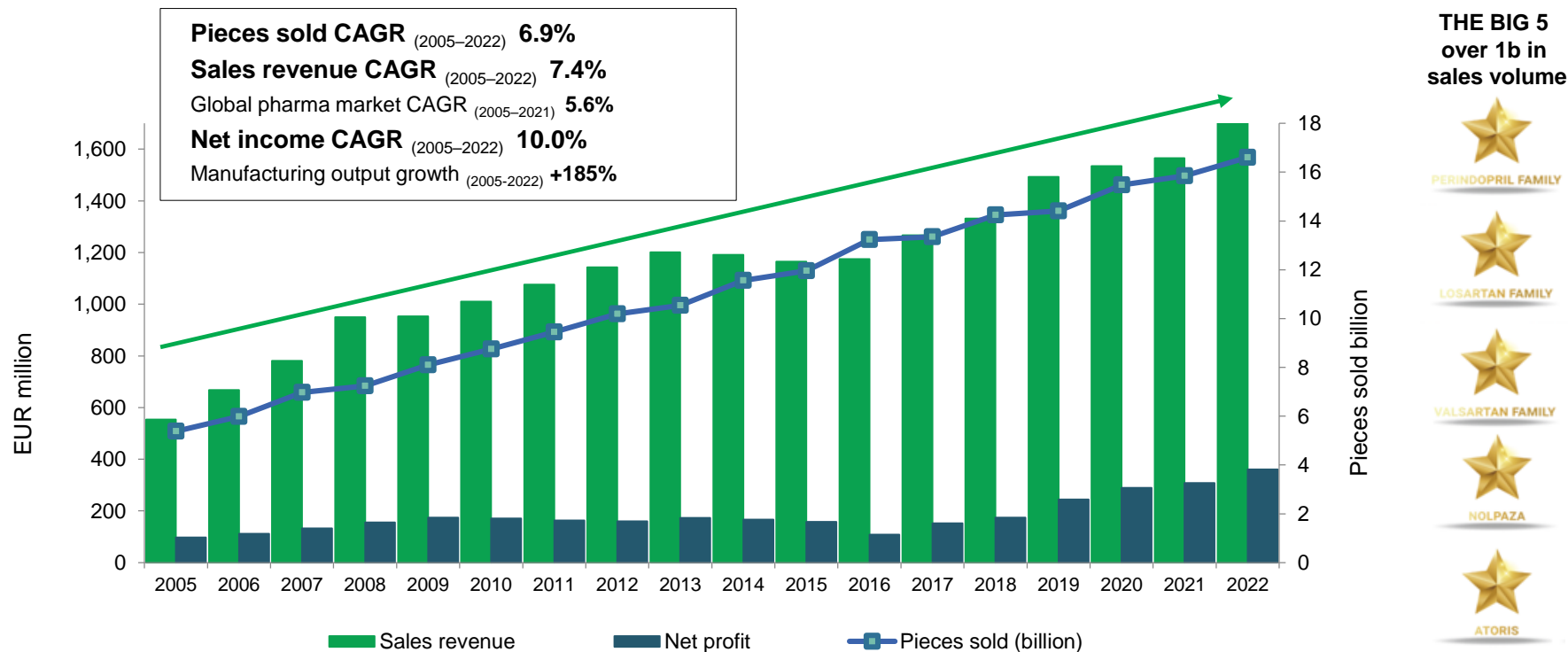
- Region Slovenia
- Region Central Europe
- Region East Europe
- Region South-East Europe
- Region West Europe
- Region Overseas markets

### Manufacturing locations

Slovenia | Russian Federation  
Poland | Germany | Croatia | China

# Long-term Stable Growth of Krka

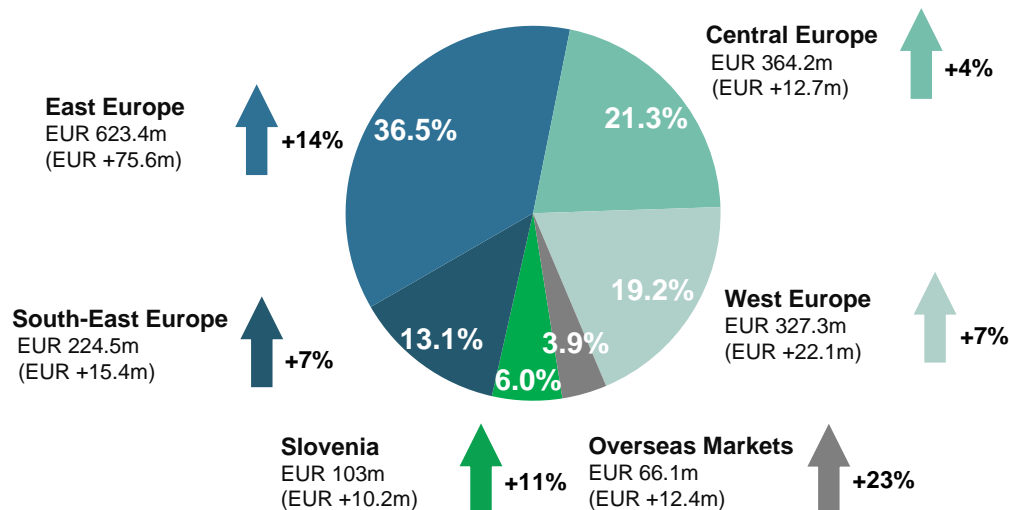
*Revenue rising along with manufacturing output*



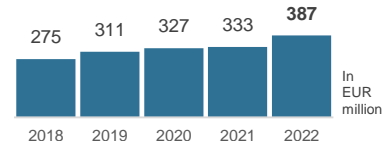
# Krka Group Sales by Regions

*Continuation of resilient sales dynamics*

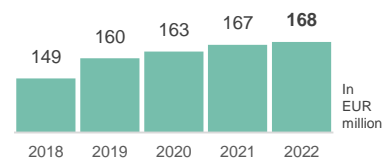
**2022 sales: EUR 1,708.5 million of goods and services; (+10% yoy; EUR +148.3m)**



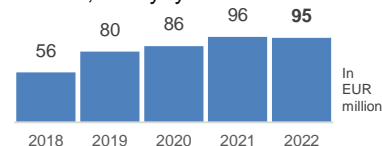
❖ **Largest market: Russian Federation Sales: EUR 387m; +16% yoy**



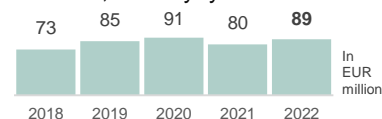
❖ **2nd market Poland; Sales: EUR 168m; +1% yoy**



❖ **3rd market Ukraine; Sales: EUR 96m; -1% yoy**



❖ **4th market Germany; Sales: EUR 89m; +10% yoy**



**New markets: Australia, Egypt, Israel & Kuwait**

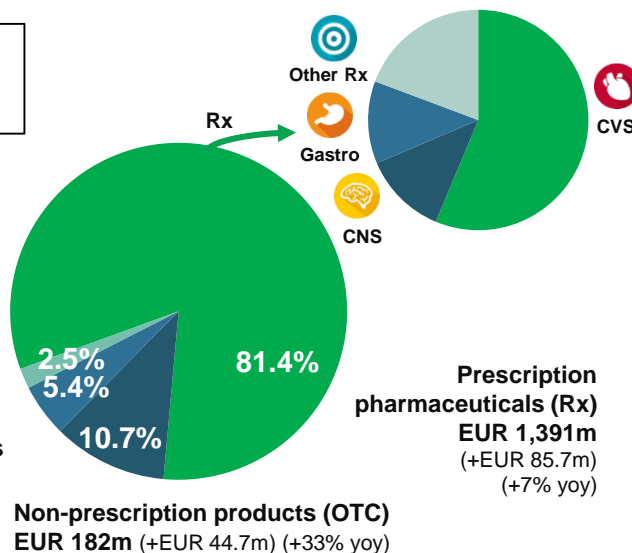
# Broad Product Portfolio

*Sales by products and service groups in 2022*

## Diversified product portfolio

**Health-resort & tourist services**  
**EUR 42.6m**  
 (+EUR 6.1m)  
 (+17% yoy)

**Animal health products**  
**EUR 93m**  
 (+EUR 11.8m)  
 (+15% yoy)



### CVS:

statins and other hypolipemics, ACE inhibitors, sartans, other antihypertensives, other cardiovascular agents

### CNS:

antidepressants, antipsychotics, anti-Parkinson agents, anti-Alzheimer agents

### Gastro:

proton pump inhibitors, medicines for acid-related disorders

### Other Rx:

pain relief, anti-infectives for systematic use, urologicals, blood and blood-forming organs, antidiabetics, oncology, ...

**Leading provider of sartans, statins, ACE inhibitors, beta blockers, anticoagulants on our traditional markets**  
**Innovative generic manufacturer; pioneer in SPC; First to offer unique strengths globally; Medicines available in variety of unconventional dosage forms; expanding product range in antidiabetics and oncology**

# Research and Development

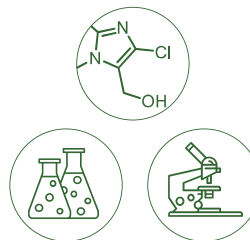
*Committed to continuous development of innovative branded generic products*

## 11 new MA for products in 2022, 9 Rx and 2 OTC

Obtained 490 marketing authorizations for existing 358 Rx, 22 OTC, and 110 VET products

### ✓ New MA in 2022:

- multiple sclerosis preparation Aperany/Aregalu/Teriflago (teriflunomide),
- antidiabetic Dapafors (dapagliflozin),
- chronic pain relief for adults Apeneta/Adoben/Tapendolor (tapentadol),
- cardiovascular agent Tezulix (ranolazine),
- antithrombotic Dabiksom (dabigatran etexilate),
- Combination product for treating hypertension stable coronary artery disease Neoamlessini/Amlessa/Amlessa NEO/Aramlessa/Tonarssa NEO/Dalnessaneo/Dalnessa AS/Aperneva (perindopril arginine/amlodipine),
- valsartan agent for the Chinese market,
- fixed-dose combination agent with perindopril tert-butylamine and indapamid, for the Chinese market,
- Vitamin D3 (cholecalciferol) tablets with 7,000 IU,
- new non-prescription product containing magnesium, Magnezij Krka 400,
- sildenafil-based erectile dysfunction agent available without a prescription.



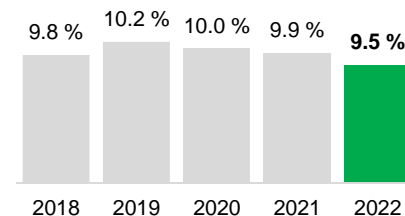
Strategic R&D target

≈ 10% of sales

800 experts engaged in  
R&D

Over 170 products in our  
pipeline

### R&D expenses as % of sales



# 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

*Technologically improving and expanding production, R&D, QA and QC*

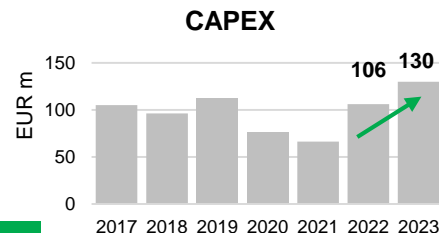
**CAPEX FY 2022: €106m; FY 2023 plan: €130m**

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

- ✓ Notol 2: Final instalation of highly automated and robotized packaging lines completed – reaching full capacity of 5 bn manufactured and 8 bn packaged tablets per year. Recent investment of €39.2m (€259m in total).
- ✓ €26 million dedicated for additional capacities in the Solid Dosage Forms plant.
- ✓ We expanded the production capacities in Ljutomer (Slovenia), with the total investment of €16.4m.

## UPCOMING INVESTMENT PROJECTS:

- ✓ Doubling the production capacities for animal health products, and ensuring the long-term production of higher volumes of sterile products. The investment estimated at €29m.
- ✓ Construction of new multi-purpose building in Novo mesto as an extension for our microbiology laboratory and additional rooms for several organizational units. The investment estimated at €19.3m.
- ✓ Krško API plant: 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.



**Strengthening and optimizing our vertical integration at all levels**

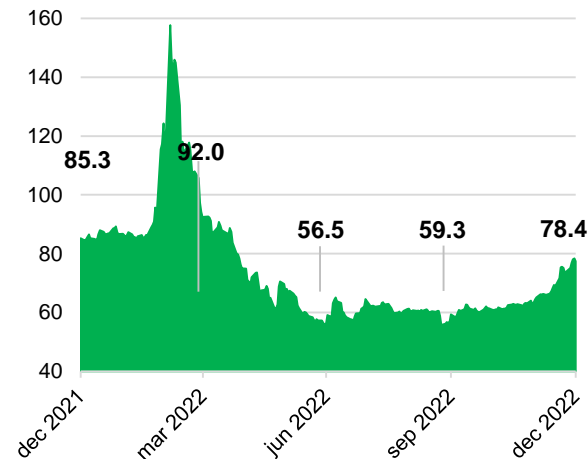
# FX Impact on Net Financial Result

*RUB volatility*

## Favourable FX movements in 2022

- ✓ RUB appreciated by 51% in H1 2022, depreciated by 28% in H2 2022.
- ✓ **In total RUB appreciated by 8.8% in 2022.**
- ✓ **The average value of RUB was 18.7% higher than in 2021.**
- ✓ The appreciation of RUB resulted in net FX gains.
- ✓ The appreciation of the USD had a positive impact on the net financial result, mainly due to instruments used for USD hedging.
- ✓ The impact of other currencies was negative but small.
- ✓ **The Group's net financial result for the period totalled EUR 51.8 million, including FX gains, hedging instruments and other financial income and expenses.**

EUR/RUB in 2022



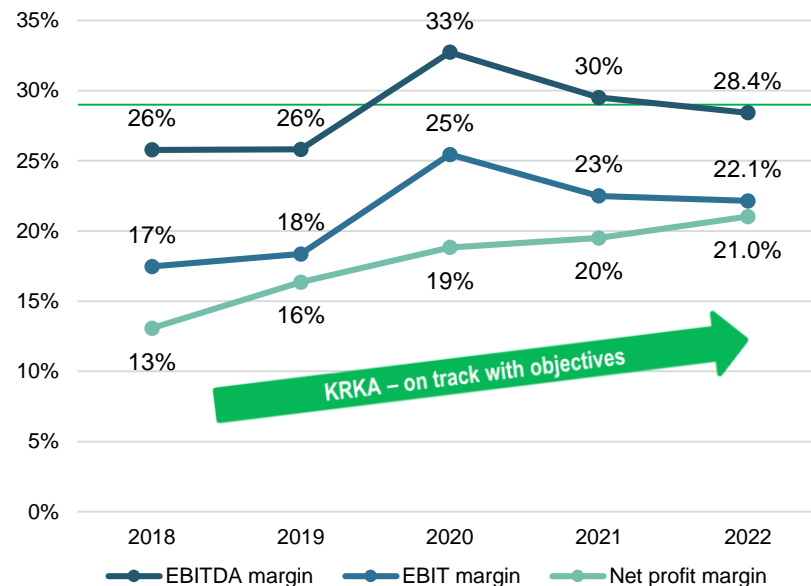
# Krka Group Operating Results

*Maintaining high profitability*

## Profitability

EUR thousand	2022	2021	yoy
<b>EBITDA</b>	<b>488.2</b>	<b>463.6</b>	<b>5%</b>
<i>EBITDA margin</i>	28.4%	29.6%	
<b>EBIT</b>	<b>380.3</b>	<b>354.8</b>	<b>7%</b>
<i>EBIT margin</i>	22.1%	22.7%	
<b>Net profit</b>	<b>361.1</b>	<b>308.2</b>	<b>17%</b>
<i>Net profit margin</i>	21.0%	19.7%	

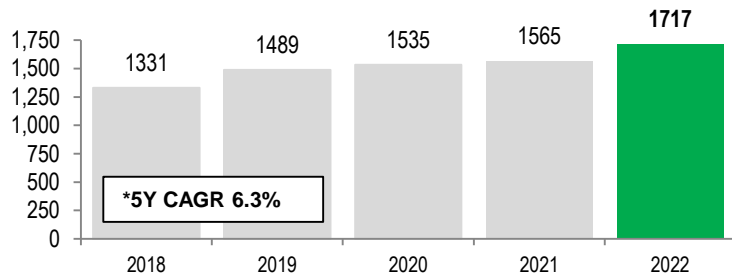
## Margins development



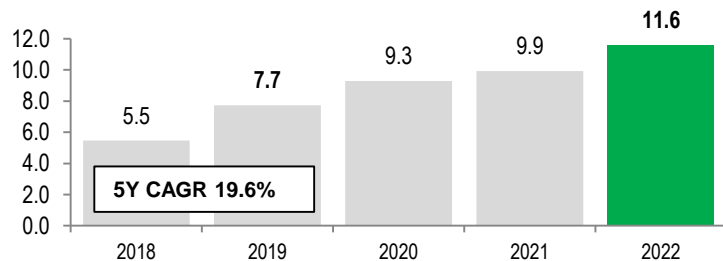
# Performance Indicators

*Maintaining long-term momentum*

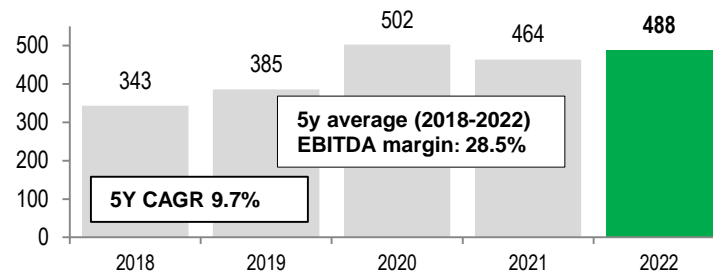
**Sales in € million**



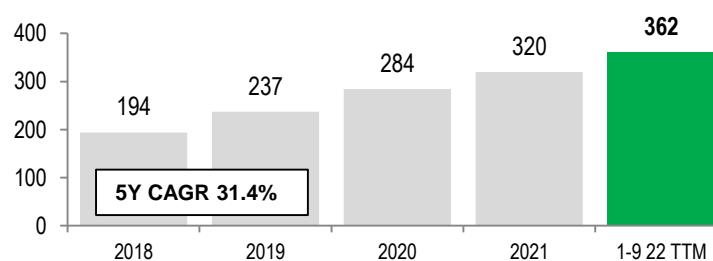
**EPS in €**



**EBITDA in € million**



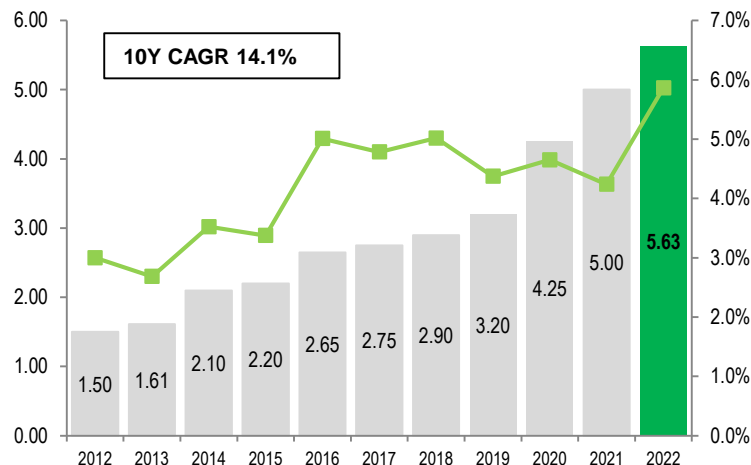
**\*\*FCF in € million**



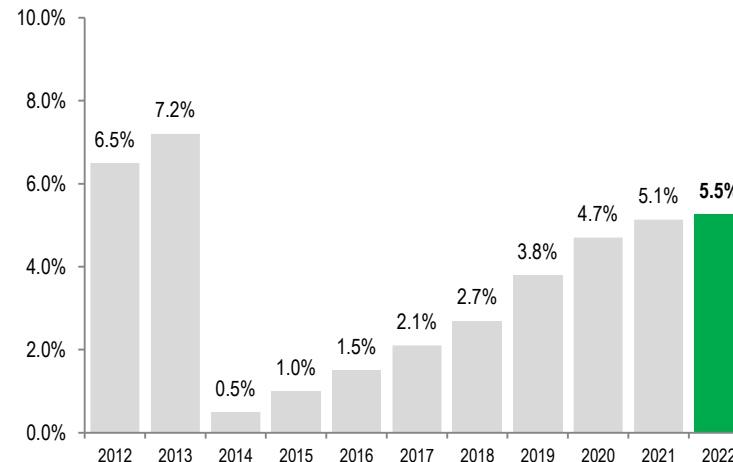
# Dividend Policy and Share Buyback

*Management committed to stable capital allocation*

## DPS and dividend yield\*



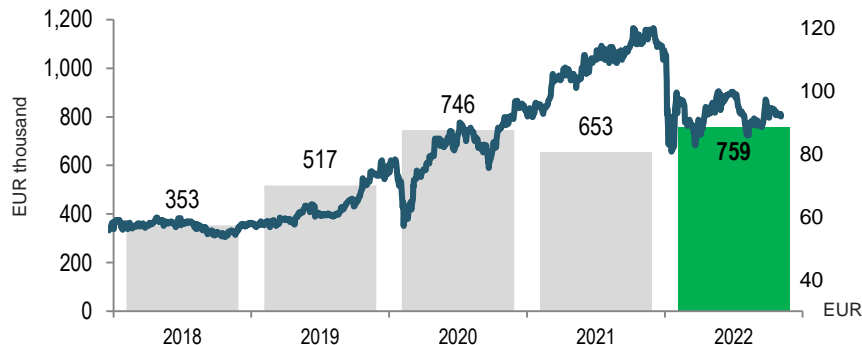
## Treasury shares as of total\*\*



# Share Information and Shareholder Structure

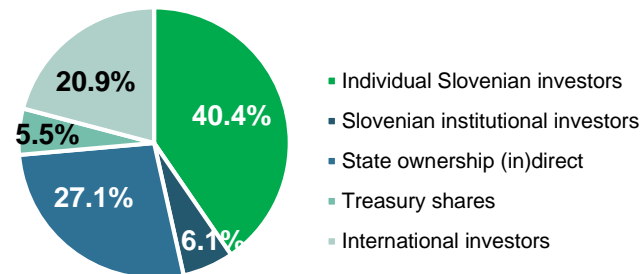
*Stable shareholder structure (KRKG SV)*

**Average daily turnover and stock price YTD**



- ✓ Market capitalization: EUR 3.0 billion
- ✓ P/E (TTM): 7.7
- ✓ No. of shareholders: 47.170
- ✓ Shares issued: 32,793,448
- ✓ Treasury shares: 1,785,849
- ✓ Market maker in place since FEB 2019

**Largest shareholders as of 31 Dec 2022**



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.*	1.16
KDPW*	1.05
PRIVREDNA BANKA ZAGREB D.D.*	0.97
<b>Total</b>	<b>43.69</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

-  **Product quality & patient safety**
-  **Talent attraction & retention**
-  **Good leadership & governance practices**
-  **Accessible healthcare**
-  **Planet & climate change**
-  **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.**

# Key Strategic Objectives

## *Strengthening and optimizing our vertical integration*

### Product groups

- Highest percentage of new and vertical integrated products, remain among first generic market entrants,
- Consolidating in CVS, CNS, gastro, pain relief on traditional markets,
- Further expansion of single-pill combinations (SPC)
- Strengthening our presence in antidiabetics and oncology products,
- Supplement our products with antiplatelets & anticoagulants,
- New therapeutic groups and specialties, complex products, including biosimilars.
- Expanding OTC segment with non-seasonal products & supplement with products complementary to Rx.
- Focusing on animal health products for companion animals.

### Marketing & Sales

- Focus on key markets,
- Consolidating and strengthening our position among TOP 5 generic producers on traditional markets,
- Promoting KRKA and TAD brand awareness and recognition in West Europe,
- Expanding our market share in West Europe (among TOP 10 generics),
- Increasing focus on Overseas markets & China,
- Above trend growth in local markets,
- Exploiting our strong marketing and sales network and local presence.

### Financials

- Value / quantity growth > 5%,
- Maintaining sound financial position,
- Focusing on long-term profitability of products in all business phases
- EBITDA margin > 25%,
- Stable dividend policy: allocate > 50% of distributable income,
- Share buy-back programme,
- CAPEX € 110 mio per year,
- R&D = 10% of sales,
- M&A opportunities (growth through partnerships & targeted acquisitions).

### ESG

- Our basic task is to help people lead a healthy, good quality life, considering our environmental and social impact closely related to highest standards of business ethics and transparency,
- Acknowledging ESG among priorities and important factor of Krka's ability for a long-term value creation and effective implementation of business strategy,
- Minimising negative impact and further boosting our positive contributions to environment, society and stakeholders,
- Increase attractiveness of Krka for all stakeholders.





# Forward Look

## 2023 guidance and key challenges

### 2023 GUIDANCE:

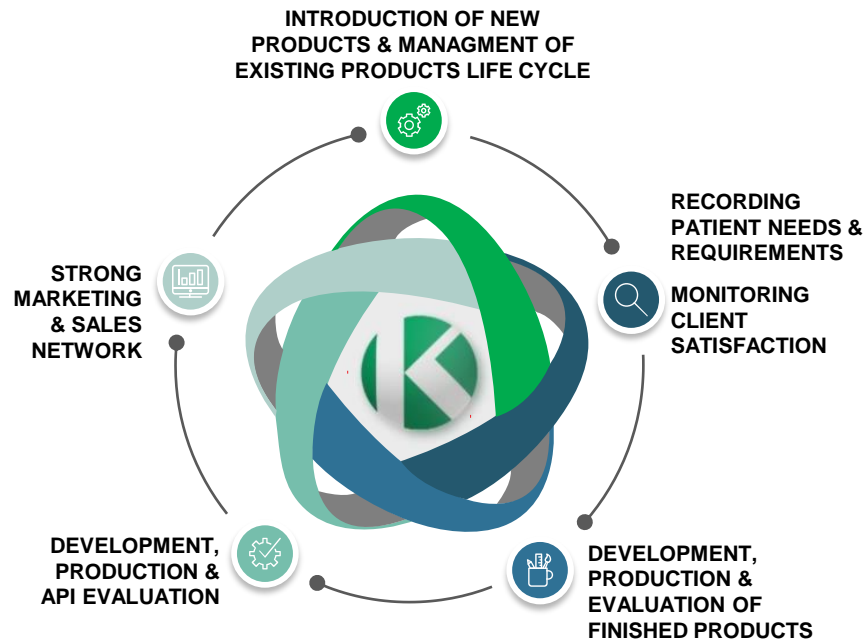
Sales €1,755m

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
<b>Thursday, 16 March 2023</b>	<b>08:15</b>	<b>Release of Non-Audited Unconsolidated and Consolidated Financial Statements for 2022</b>
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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