



# Unaudited Interim Report of the Krka Group and Krka, d. d. for the Half Year Ended 30 June 2020

Novo mesto, July 2020



*Living a healthy life.*

## CONTENTS

Introduction.....	3
Semi-annual Performance Highlights.....	3
Financial Highlights.....	4
ID Card.....	5
At a Glance.....	5
Organisational Chart.....	6
Development Strategy.....	7
Business Report.....	9
Financial Risks.....	9
Investor and Share Information.....	10
Business Performance.....	12
Marketing and Sales.....	14
Research and Development.....	26
Investments.....	28
Employees.....	29
Condensed Consolidated Financial Statements of the Krka Group with Notes.....	30
Consolidated Statement of Financial Position of the Krka Group.....	30
Consolidated Income Statement of the Krka Group.....	31
Consolidated Statement of Other Comprehensive Income of the Krka Group.....	32
Consolidated Statement of Changes in Equity of the Krka Group.....	33
Consolidated Statement of Cash Flows of the Krka Group.....	35
Segment Reporting of the Krka Group.....	36
Notes to Financial Statements of the Krka Group.....	37
Condensed Financial Statements of Krka, d. d., Novo mesto with notes.....	45
Statement of Financial Position of Krka, d. d., Novo mesto.....	45
Income Statement of Krka, d. d., Novo mesto.....	46
Statement of Other Comprehensive Income of Krka, d. d., Novo mesto.....	46
Statement of Changes in Equity of Krka, d. d., Novo mesto.....	47
Statement of Cash Flows of Krka, d. d., Novo mesto.....	49
Segment Reporting of Krka, d. d., Novo mesto.....	50
Notes to Financial Statements of Krka, d. d., Novo mesto.....	51
Statement of Compliance.....	59

## INTRODUCTION

Condensed financial statements of the Krka Group and condensed financial statements of Krka, d. d., Novo mesto (Krka, d. d., Krka, or the controlling company) for the first half of 2020 and 2019 are unaudited, while financial statements for the full 2019 financial year are audited. Krka, d. d., Novo mesto does not have any authorised capital, nor any conditionally increased share capital.

Krka promptly announces all significant changes of data in its listing prospectus in the Ljubljana Stock Exchange electronic information dissemination

system (SEOnet), in the Polish Financial Supervision Authority electronic information dissemination system (ESPI), and/or in the daily newspaper *Delo*. Reports on the performance of the Krka Group and Krka, d. d. are available on the Krka website [www.krka.si](http://www.krka.si).

At its regular meeting of 29 July 2020, the Supervisory Board of Krka discussed the unaudited interim report of the Krka Group and Krka for the half year ended 30 June 2020.

### Semi-annual Performance Highlights

- The Krka Group sales of products and services amounted to €801.8 million, of which product sales accounted for just shy of 99%.
- Compared to the same period last year, Krka Group sales of products and services increased by €42.5 million or 6%.
- The Krka Group generated 95% of product and service sales outside Slovenia. The proportion of export in product sales was 96%.
- Region East Europe recorded the highest absolute sales growth (€20.2 million), and Regions East Europe and Central Europe recorded the highest relative growth (8%).
- Accounting for 33.9% of total sales, the Krka Group's largest sales region was Region East Europe.
- The Krka Group generated operating profit of €216.7 million, up 40% over the same period last year. EBITDA amounted to €272.9 million, a 30% year-on-year increase.
- The Krka Group recorded net profit totalling €160.3 million, a 15% rise on the same period last year.
- As at 30 June 2020, the Krka share traded at €82.80 on the Ljubljana Stock Exchange, a 13.1% growth on year-end 2019. Market capitalisation of Krka amounted to €2.7 billion.
- The Krka Group allocated €31.3 million to investments, of that €20.7 million to the controlling company.
- At the end of June 2020, the Krka Group had 11,658 regularly employed persons on payroll. Total headcount including agency workers was 12,751.

## Financial Highlights

€ thousand	Krka Group			Krka		
	Jan–June 2020	Jan–June 2019	Index	Jan–June 2020	Jan–June 2019	Index
Revenue	803,753	761,331	106	783,100	673,022	116
Gross profit	482,929	433,765	111	448,276	383,374	117
Operating profit (EBIT) <sup>1</sup>	216,688	154,537	140	208,563	125,363	166
EBITDA	272,925	209,688	130	250,376	166,151	151
Net profit	160,260	139,909	115	155,512	120,286	129
R&D expenses	73,846	74,515	99	74,260	77,131	96
Investments	31,270	52,592	59	20,733	41,954	49

€ thousand	30 June 2020	31 Dec 2019	Index	30 June 2020	31 Dec 2019	Index
Non-current assets	1,007,358	1,041,833	97	1,069,295	1,069,616	100
Current assets	1,304,835	1,142,785	114	1,207,572	1,060,344	114
Equity	1,788,341	1,667,516	107	1,803,251	1,664,178	108
Non-current liabilities	161,347	160,905	100	121,512	119,789	101
Current liabilities	362,505	356,197	102	352,104	345,993	102

RATIOS	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019
Gross profit margin	60.1%	57.0%	57.2%	57.0%
EBIT margin	27.0%	20.3%	26.6%	18.6%
EBITDA margin	34.0%	27.5%	32.0%	24.7%
Net profit margin (ROS)	19.9%	18.4%	19.9%	17.9%
Return on equity (ROE) <sup>2</sup>	18.5%	17.3%	17.9%	15.0%
Return on assets (ROA) <sup>3</sup>	14.3%	13.4%	14.1%	12.0%
Liabilities/Equity	0.293	0.298	0.263	0.255
R&D expenses/Revenue	9.2%	9.8%	9.5%	11.5%

NUMBER OF EMPLOYEES	30 June 2020	31 Dec 2019	Index	30 June 2020	31 Dec 2019	Index
Balance as at	11,658	11,696	100	6014	5907	102

SHARE INFORMATION	Jan–June 2020	Jan–June 2019	Index '20/'19
Total number of shares issued	32,793,448	32,793,448	100
Earnings per share (EPS) in € <sup>4</sup>	10.24	8.92	115
Closing price at the end of the period in € <sup>5</sup>	82.80	62.80	132
Price/Earnings ratio (P/E)	8.09	7.04	115
Book value in € <sup>6</sup>	54.53	51.47	106
Price/Book value (P/B)	1.52	1.22	124
Market capitalisation in € thousand (end of period)	2,715,297	2,059,429	132

<sup>1</sup> The difference between operating income and expenses

<sup>2</sup> Net profit, annualised/Average shareholders' equity in the period

<sup>3</sup> Net profit, annualised/Average total asset balance in the period

<sup>4</sup> Net profit attributable to Krka Group equity holders, annualised/Average number of shares issued in the period exclusive of treasury shares

<sup>5</sup> Share price on the Ljubljana Stock Exchange

<sup>6</sup> Equity at the end of the period/Total shares issued

## ID Card

The controlling company in the Krka Group is Krka, tovarna zdravil, d. d., Novo mesto.

**Registered office** Šmarješka cesta 6, 8501 Novo mesto, Slovenia

**Telephone** +386 (0) 7 331 21 11

**Fax** +386 (0) 7 332 15 37

**E-mail** info@krka.biz

**Website** www.krka.si

**Core business** Manufacture of pharmaceutical preparations

**Business classification code** 21.200

**Year established** 1954

**Registration entry** 1/00097/00, District Court of Novo mesto

**Tax number** 82646716

**VAT number** SI82646716

**Company ID number** 5043611

**Share capital** €54,732,264.71

**Total number of shares issued** 32,793,448 ordinary registered no-par value shares, KRKG trading code Krka has been listed on the Ljubljana Stock Exchange under KRKG trading code since 1997 and since April 2012 on the Warsaw Stock Exchange under KRK trading code.

## At a Glance

The Krka Group consists of the controlling company, Krka, d. d., Novo mesto, two subsidiaries in Slovenia, i.e. Terme Krka, d. o. o., Novo mesto and Farma GRS, d. o. o., Novo mesto, and 30 subsidiaries outside Slovenia. The controlling company, Krka, d. d., Novo mesto, owns a 100% stake in all subsidiaries, except in: i) Ningbo Krka Menovo Pharmaceutical Co. Ltd., where Krka has a 60% and the Chinese partner, Ningbo Menovo Pharmaceutical Co. Ltd. a 40% stake; and ii) Krka Belgium, SA, where Krka has a 95% stake and the subsidiary Krka France Eurl holds the remaining 5%.

The Krka Group develops, produces, markets, and sells human health products (prescription pharmaceuticals and non-prescription products), animal health products, and health resort and tourist services.

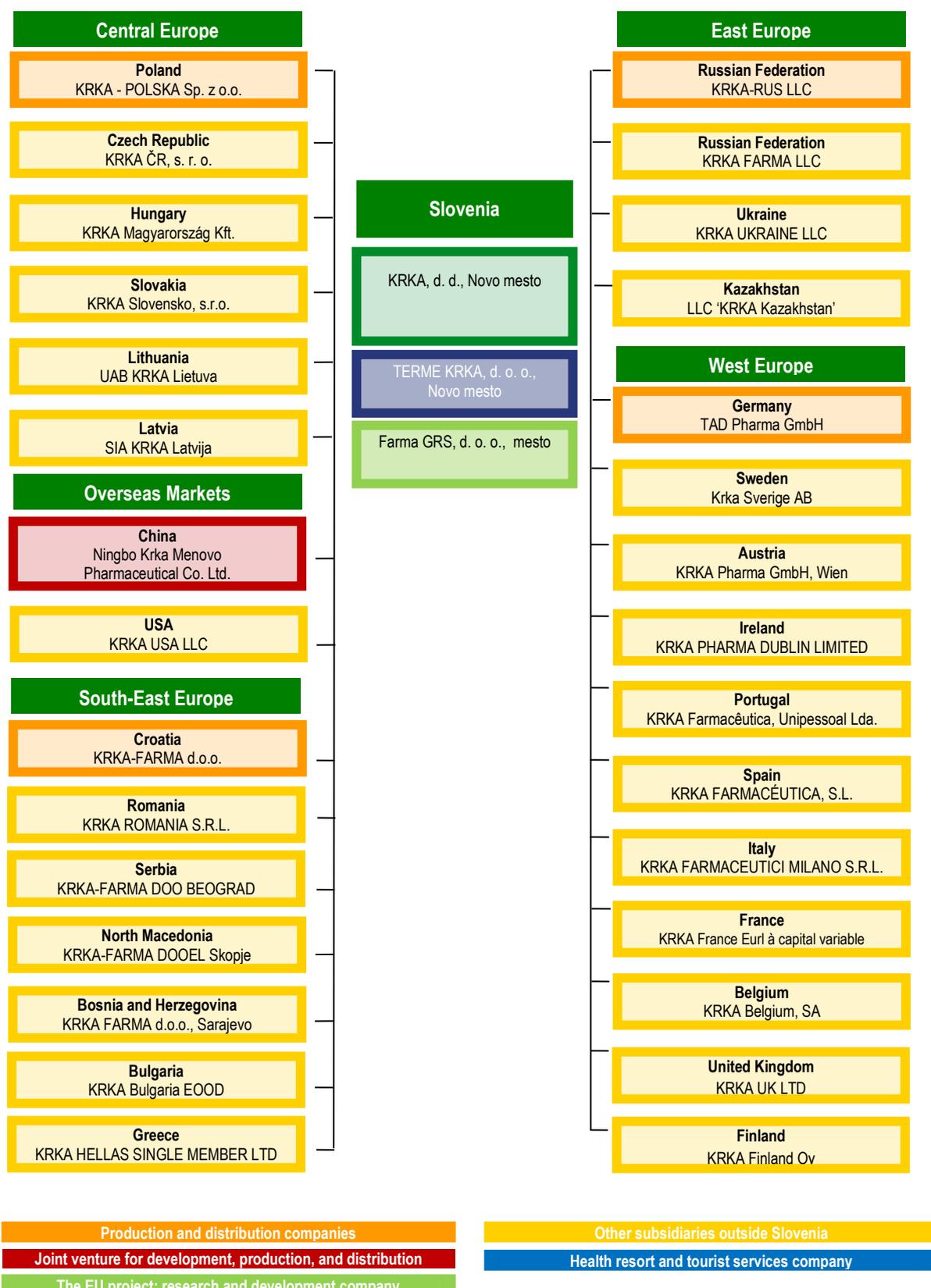
Production takes place in the controlling company in Slovenia and at Krka subsidiaries in the Russian Federation, Poland, Croatia, Germany, and China. In addition to production, these subsidiaries, apart from

Krka-Rus in the Russian Federation, also deal with marketing and sales. Other subsidiaries outside Slovenia carry out marketing and/or sales of Krka products but do not have production capacities.

Terme Krka, d. o. o., Novo mesto deals with health resorts and tourist services, and operates through the following branches: Terme Dolenjske Toplice, Terme Šmarješke Toplice, Hoteli Otočec, and Talaso Strunjan. Terme Krka is the owner of Golf Grad Otočec, d. o. o.

Farma GRS, d. o. o. was established in partnership with companies from the pharmaceutical, and pharmaceutical and process manufacturing industries, and is now wholly owned by the controlling company. The company develops new pharmaceutical products, new technological products for pharmaceutical production, and contributes to more efficient pharmaceutical production as regards energy, environment, and business operations.

## Organisational Chart



## Development Strategy

The Krka Group updates its development strategy every two years. In November 2019, the Management Board of Krka adopted the *2020–2024 Krka Group Development Strategy* and presented it to the Supervisory Board.

The achievement of strategic objectives is measured at three levels: i) the Krka Group, ii) product and service groups, and iii) business functions. The Group's performance criteria are monitored by the

Management Board, while criteria at the level of product and service groups and business functions are monitored by relevant committees. The guiding principle in managing the system of criteria is to increase the competitiveness of the Krka Group as a whole and of individual companies within the Group.

The key Krka Group objectives and strategies up to 2024 are set out below.

### Key Strategic Objectives up to 2024

- To attain at least 5% average annual sales growth in terms of volume and/or value.
- To ensure high standards of product quality, safety, and efficacy.
- To provide sufficient quantities of manufactured products through an efficient and optimised development-and-production chain in a timely manner and in line with target sales growth and market needs.
- To keep the focus on maximising the long-term profitability of the products sold, from development and production to sales of finished products, including all other functions within the Krka Group.
- To ensure growth by long-term partnerships (including joint ventures) and acquisitions in addition to organic growth, when interesting

target companies become available. The primary goals are to secure new products and/or markets.

- To maintain the largest possible proportion of new products and the proportion of vertically integrated products in total sales, in addition to the existing range of products also referred to as 'the golden standard'.
- To launch a selected product portfolio in selected key markets among the first generic pharmaceutical companies.
- To strengthen the competitive advantage of our product portfolio.
- To improve the cost-effective use of all assets.
- To increase the degree of innovation across all business functions.
- To maintain independence.

### Key Strategic Guidelines up to 2024

- To focus primarily on European, central Asian, and Chinese markets.
- To maximise sales potential in all sales regions (Slovenia, South-East Europe, East Europe, Central Europe, West Europe, Overseas Markets).
- To focus especially on key markets (the Russian Federation, markets of western Europe, Poland, Slovenia, Romania, Hungary, Ukraine, the Czech Republic, Slovakia, and Croatia), with an emphasis on key customers and key products.
- To include certain markets of the Region Overseas Markets among the key markets.
- To establish and strengthen our presence in western European markets by operating through our own marketing-and-sales subsidiaries and by marketing products under our own brands (Krka and TAD Pharma).

- To seek opportunities for acquisition of pharmaceutical companies, business acquisitions, and various types of long-term partnerships (including joint ventures) in selected markets in order to attain new products and thus enter new therapeutic areas and/or markets.
- To strengthen the pharmaceutical and chemical industries and increase the range of prescription pharmaceuticals (cardiovascular diseases, the gastrointestinal tract, the central nervous system, and pain relief) in key therapeutic areas and in other therapeutic areas (diabetes, antiplatelet therapy, oncology, and urologicals) while entering new therapeutic areas. We will introduce innovative products in key therapeutic areas (innovative combinations of two or three active ingredients, new strengths and pharmaceutical forms, and delivery systems).

- To increase the range of non-prescription products and animal health products, primarily products for companion animals, in selected therapeutic areas.
- To further develop health resorts and tourist services with the possibility to seek strategic partners outside the Krka Group.
- To allocate up to 10% of annual sales revenue to research and development.
- To start developing similar biological medicines and complex peptides through partnerships.
- To strengthen vertical integration from product development to manufacture.
- To ensure a permanent supply of incoming materials and optimise purchasing in order to continually reduce purchase prices.
- To develop generic medicines and prepare relevant registration documents prior to the expiry of data protection and obtain marketing authorisation before the product patent or marketing protection expires.
- To ensure management and further growth of established products while taking into account new regulatory requirements concerning safety and quality of medicines, and obtaining additional marketing authorisations for new markets.
- To manage and link data from various fields to provide product compliance.
- To increase outsourcing of production and development of certain active ingredients and finished products.
- To ensure functioning and improvement of the integrated management and quality systems, which provide for the manufacture of safe, effective, and quality products in accordance with cGXP guidelines and regulations on quality in the pharmaceutical industry.
- To invest in production, development, and infrastructure facilities in a stable and optimal manner.
- To reduce the impact of financial risks on the Krka Group operations.
- To pursue a stable dividend policy and consider the Krka Group's financial requirements for investments and acquisitions when determining the net profit share for dividend pay-out each year, and to allocate at least 50% of net profit of majority shareholders for dividends.
- To further pursue digitalisation of our business in order to: i) introduce digital technologies for automation and optimisation of business processes and procedures; ii) support and strengthen cooperation within the corporation and with the entire supply chain; and iii) make available relevant data or information for taking business decisions and therefore provide added value for our stakeholders.
- To manage information technology efficiently and in compliance with regulatory standards, and ensure high availability (more than 99% for the key information systems and services) and information security of the implemented IT solutions.
- To strengthen all types of connections with external institutions and companies in the field of development and other fields.
- To strengthen professional and cost synergies within the Krka Group and maximise the utilisation of competitive advantages in the business environments of Krka subsidiaries abroad.
- To strengthen internationalisation within the Krka Group by managing employee potential in an international environment and ensure the activation of all human resource potential.
- To maintain our economic, social, and environmental responsibilities to the environments in which we operate.
- To enhance the visibility and positive image of the Krka Group.
- To ensure corporate integrity, transparency, and corporate and business compliance.

### Krka Group Business Objectives for 2020

- Sales of products and services are estimated at €1,520 million.
- Sales outside Slovenia are expected to account for almost 94% of total sales.
- Prescription pharmaceuticals are projected to remain the most important product category, comprising 83% of total sales.
- Profit is planned at good €210 million.
- The employee headcount in Slovenia and abroad is projected to grow by 3%.
- Investment is planned at €134 million, primarily to be allocated to expanding and modernising production facilities and infrastructure.

## BUSINESS REPORT

### Financial Risks

#### Foreign Exchange Risk

The Krka Group operates in diverse international environments and is exposed to foreign exchange risk in a few sales and purchase markets.

Currency exposure arises from different values of assets and liabilities in a particular currency in the financial position statement of the Krka Group and from differences between operating income and expenses generated in individual currencies.

With regard to currency risk management, the key policy of the Krka Group remains to mitigate foreign currency exposure by natural hedging. To a limited extent, we also use derivative financial instruments. In 2020, we have continued our policy of partial hedging against the Russian rouble and U.S. dollar by financial instruments.

Due to the coronavirus pandemic, we recorded high exchange rate volatility in currency markets in the first half of 2020. As the pandemic negatively affected the global economy, oil prices slumped additionally weakening the value of the Russian rouble.

The value of currencies significant to Krka fell primarily in the first quarter. In the second quarter, value of the Russian rouble climbed, while the Polish

zloty, Romanian leu, Croatian kuna, Hungarian forint, and Czech koruna stabilised.

Exposure of the Krka Group is the highest in relation to the Russian rouble. Over the first half of the year, the value of the rouble denominated in the euro fell by 12.1%. The average value of the Russian rouble dropped by 3.8% on the first half of 2019. In the first half of 2020, the Krka Group generated foreign exchange losses from the long position in the Russian rouble, which were partially neutralised through income from forward contracts. A part of exposure to the Russian rouble was hedged by forward contracts.

The Krka Group accrued a surplus of liabilities over assets in the U.S. dollar and a short currency position. The impact of the change in the U.S. dollar value was hedged by derivative financial instruments.

Taking into account net foreign exchange differences, income and expenses relating to derivative financial instruments and interest rates, as well as other financial income and expenses, the total net financial result in the first half of 2020 was negative and generated a €26.4 million loss.

#### Interest Rate Risk

In the first half of 2020, the Krka Group raised no non-current borrowings and was therefore not exposed to the risk of changes in reference interest rates.

#### Credit Risk

The key credit risk of the Krka Group arises from trade receivables. This is the risk of clients failing to settle their liabilities by maturity dates. The Krka Group introduced a centralised credit control process for all clients with whom Krka's annual product sales exceed €100,000. Numbering 450 at the end of the first half 2020, their trade receivables accounted for approximately 95%. Receivables by small clients account for approximately 5% of total Krka Group receivables. Decentralised control is in place,

exerted by the sales network under constant supervision of the controlling company.

In the second quarter of 2020, we extended and supplemented insurance for trade receivables with a credit insurance company. Gradually, we intend to insure all Krka Group receivables with the credit insurance company.

Despite the risks arising from the coronavirus situation, receivables were favourably managed in the first half of 2020. Even though sales grew, at the end of the first half of 2020 trade receivables dropped by 6% on the beginning of the year, and were 14% below the 2019 half-year mark.

The amount of receivable write-offs and impairments of the Krka Group is low because receivables are dispersed across a large number of clients and sales markets, and the majority of outstanding receivables

are due from clients with whom Krka has been doing business for many years.

Write-offs and receivable allowances remained low in the first half of 2020. The maturity structure of receivables remained stable. With respect to total trade receivables, the percentage of overdue receivables was low also at the end of the first half of the year. We identified no particularities when collecting receivables.

## Liquidity Risk

In the first half of 2020, risks related to the Krka Group's liquidity were managed by effective short-term cash flow planning. We employed cash flows from operating activities to provide for short-term liquidity. During the first half of the year, we did not draw any additional funds from pre-agreed short-

term revolving and fixed borrowings from banks. We monitor cash flows from operating activities by daily, rolling weekly, monthly, and long-term planning. We maintain optimal cash balances on subsidiary bank accounts. All Krka Group liabilities were settled on time.

## Property, Liability, and Business Interruption Insurance

In the observed period, Krka concluded insurance contracts for 2020 and extended liability insurance for Management and Supervisory Board members at the end of March. Despite the fact that the scope of insured property increased, the insurance premium

grew slower than sales as a result of successful negotiations and insurance optimisation. In transport insurance, we significantly simplified administrative procedures, i.e. introduced electronic certificates and paperless communication.

## Investor and Share Information

In the first half of 2020, the Krka share price on the Ljubljana Stock Exchange rose by 13.1%. Over the same period, holdings of treasury shares increased, while holdings of legal entities and institutional investors as well as foreign investors diminished. The

stake of Slovenian retail investors remained unchanged. At the end of June 2020, Krka had a total of 48,015 shareholders.

### Shareholder structure (%)

	30 June 2020	31 Dec 2019
Slovenian retail investors	38.5	38.5
Slovenski državni holding (SDH, Slovenian Sovereign Holding) and the Republic of Slovenia	16.2	16.2
Kapitalska družba, d. d. (Pension Fund Management) and Prvi pokojninski sklad (First Pension Fund)	10.9	10.9
Slovenian legal entities and institutional investors	7.2	7.6
Foreign investors	22.8	23.0
Treasury shares	4.4	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

In the first half of the year, Krka acquired 200,720 treasury shares.

As at 30 June 2020, Krka held 1,434,972 treasury shares, accounting for 4.376% of share capital.

### Ten largest shareholders as at 30 June 2020

	Country	Number of shares	Share in equity (%)	Share in voting rights (%)
Kapitalska družba, d. d.	Slovenia	3,493,030	10.65	11.14
Slovenski državni holding, d. d. (SDH)	Slovenia	2,949,876	9.00	9.41
Republic of Slovenia	Slovenia	2,366,016	7.21	7.55
OTP banka d. d.	Croatia	1,542,360	4.70	4.92
Addiko Bank d. d. Pension Fund 1	Croatia	1,197,638	3.65	3.82
Clearstream Banking S.A.*	Luxembourg	865,087	2.64	2.76
Luka Koper, d. d.	Slovenia	433,970	1.32	1.38
Zavarovalnica Triglav, d. d.	Slovenia	388,300	1.18	1.24
Addiko Bank d. d. Pension Fund 2	Croatia	351,594	1.07	1.12
Smallcap World Fund Inc.	USA	335,262	1.02	1.07
<b>Total</b>		<b>13,923,133</b>	<b>42.46</b>	<b>44.40</b>

\* The shares are on custody accounts with the above banks and are owned by their clients.

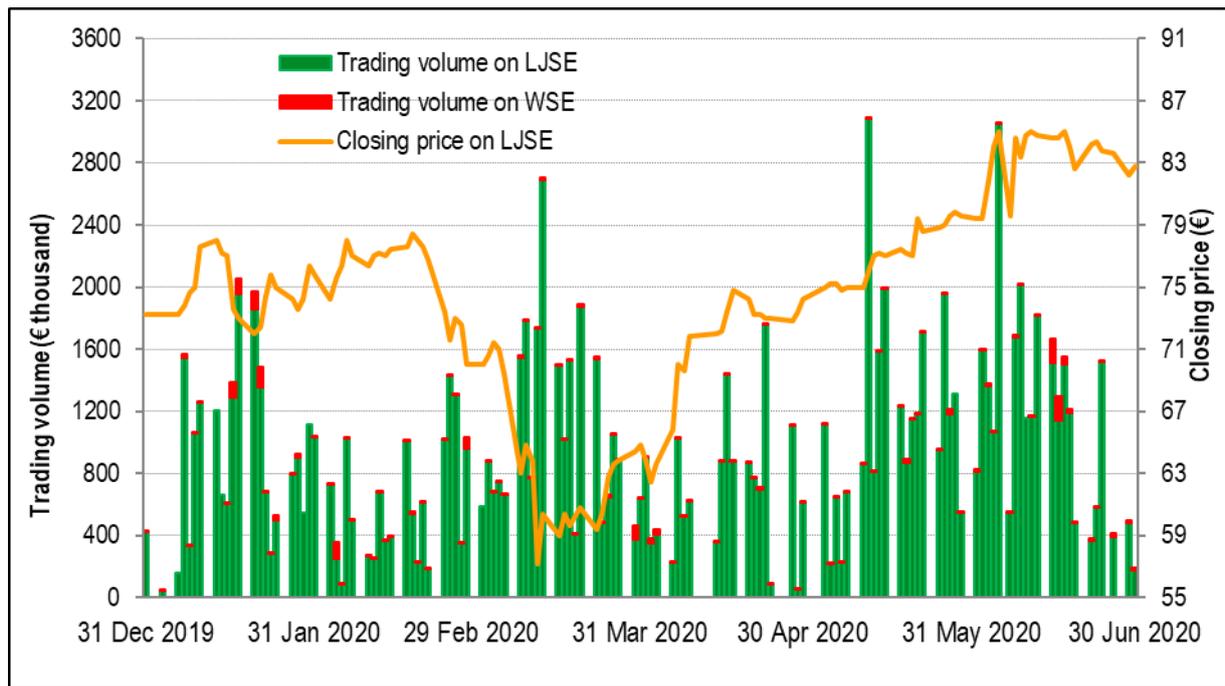
As at 30 June 2020, ten largest Krka shareholders held 13,923,133 shares or 42.46% of total shares issued.

As at 30 June 2020, members of the Management and Supervisory Boards held a total of 39,787 Krka shares or 0.12% of total shares issued.

### Equity holdings and respective voting rights of the Management and Supervisory Board members as at 30 June 2020

	Number of shares	Share in equity (%)	Share in voting rights (%)
<b>Management Board members</b>			
Jože Colarič	22,500	0.069	0.072
David Bratož	0	0	0
Aleš Rotar	13,915	0.042	0.044
Vinko Zupančič	120	0	0
Milena Kastelic	505	0.002	0.002
<b>Total Management Board members</b>	<b>37,040</b>	<b>0.113</b>	<b>0.118</b>
<b>Supervisory Board members</b>			
Jože Mermal	0	0	0
Julijana Kristl	230	0.001	0.001
Boris Žnidarič	0	0	0
Andrej Slapar	0	0	0
Borut Jamnik	0	0	0
Mojca Osolnik Videmšek	617	0.002	0.002
Franc Šašek	1,400	0.004	0.004
Tomaž Sever	500	0.002	0.002
Mateja Vrečer	0	0	0
<b>Total Supervisory Board members</b>	<b>2,747</b>	<b>0.009</b>	<b>0.009</b>

## Krka share trading in the first half of 2020



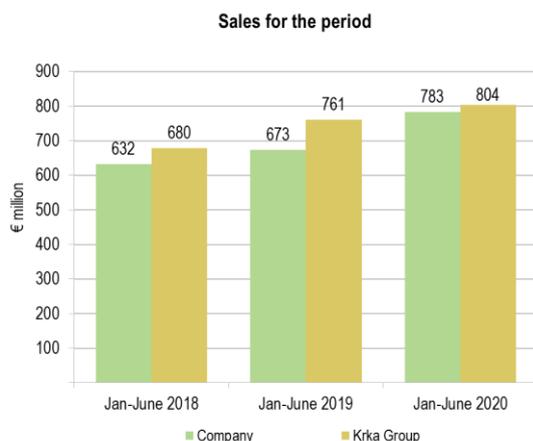
Over the first half of the year, Krka share price on the Ljubljana Stock Exchange ranged as follows. It peaked in the first half of June, when it traded at €85.00, and reached its low in mid-March, after the outbreak of the coronavirus pandemic, when it amounted to €57.20. On 30 June 2020, Krka shares traded at €82.80 per share.

On 30 June, market capitalisation of Krka on the Ljubljana Stock Exchange amounted to €2.7 billion. In this period, the average daily trading volume of Krka shares reached €0.95 million. Since April 2012, Krka shares have been listed on the Warsaw Stock Exchange as well.

## Business Performance

Business performance analysis includes data for the Krka Group and Krka, whereas the notes primarily relate to the Krka Group.

### Revenue



The Krka Group generated sales totalling €803.8 million, of which revenue from contracts with

customers on sales of products and services amounted to €801.8 million. Revenue from contracts with customers on sales of materials and other sales revenue constituted the difference. Sales grew by €42.4 million, a 6% rise on the same period last year.

Other operating income amounted to €6.4 million, while financial income totalled €12.0 million. The Krka Group generated total revenue of €822.2 million, up 5% on the same period last year.

Details on sales of products and services by markets and product groups are available in the section 'Marketing and Sales'.

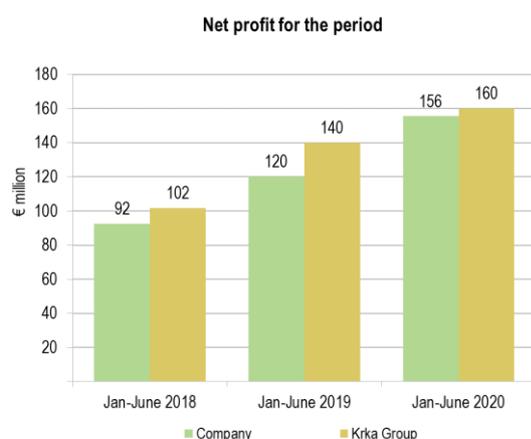
## Expenses

Total expenses of the Krka Group amounted to €631.9 million, up 2% on the same period last year.

The Group incurred operating expenses totalling €593.5 million or 3% less than in the same period last year. They comprised: i) costs of goods sold of €320.8 million, ii) selling and distribution expenses of €155.9 million, iii) R&D expenses of €73.8 million, and iv) general and administrative expenses of €42.9 million.

Costs of goods sold dropped by 2% on the same period last year and accounted for 39.9% of sales revenue. Selling and distribution expenses, down 8%, amounted to 19.4% of sales revenue. As the Krka Group does not capitalise R&D expenses, they were recognised in full as expenses for the period, and fell by 1% accounting for 9.2% of sales revenue. General and administrative expenses went up by 6% and accounted for 5.3% of sales revenue.

## Operating Results



The Krka Group recorded operating profit of €216.7 million, a 40% rise on the same period last year.

Profit before tax amounted to €190.3 million, up 16% compared to the same period last year. Income tax totalled €30.0 million, and the effective tax rate was 15.8%.

The Krka Group recorded net profit of €160.3 million, a 15% year-on-year increase.

## Assets

At the end of the first half of 2020, the Krka Group assets were valued at €2,312.2 million, a 6% rise on year-end 2019.

Non-current assets accounted for 43.6% of total assets, down 4.1 percentage points from the start of the year. The most important item under non-current assets, which totalled €1,007.4 million, was property, plant and equipment at €826.6 million. Their value decreased by 4% compared to year-end 2019 and accounted for 35.8% of total Krka Group assets.

Intangible assets amounted to €107.1 million, a 2% drop on year-end 2019.

In the first half of this year, current assets increased by 14% to €1,304.8 million, and inventories rose by 8% to €454.4 million. Receivables went down by 5% to €441.8 million, of which trade receivables amounted to €408.4 million or 6% less than at the end of 2019.

## Equity and Liabilities

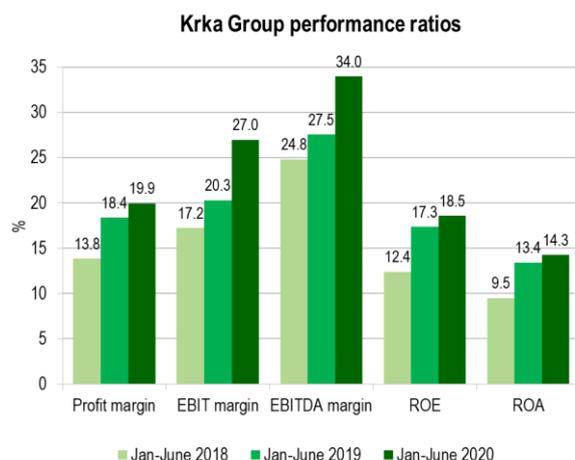
Krka Group equity totalled €1,788.3 million, a 7% increase on year-end 2019, and accounted for 77.3% of total equity and liabilities.

lawsuits €2.1 million, and other provisions €2.7 million), up 2% compared to the end of 2019.

Amounting to €161.3 million, non-current liabilities accounted for 7.0% of the Krka Group balance sheet total and remained at the level of year-end 2019. Provisions totalled €122.4 million (of which post-employment and other non-current employee benefits accounted for €117.7 million, provisions for

Current liabilities increased by 2% on year-end 2019 and amounted to €362.5 million or 15.7% of balance sheet total. Among current liabilities, trade payables totalled €115.4 million, down 10% from the end of 2019. Liabilities from contracts with customers rose by 1% to €124.9 million, while other current liabilities grew by 26% to €104.2 million.

## Performance Ratios



The Krka Group net profit margin for the first half of 2020 was 19.9%, EBIT margin 27.0%, and EBITDA margin 34.0%.

At the Group level, annualised ROE was 18.5% and annualised ROA 14.3%.

## Marketing and Sales

In the first half of 2020, Krka Group product sales generated €803.8 million, a 6% year-on-year rise. Of that revenue from contracts with customers on sales of products and services amounted to €801.8 million, likewise a 6% rise on the same period of 2019. Sales in markets outside Slovenia reached €763.5 million and accounted for 95% of total Krka Group sales. We increased product sales volume by 8% on the same period last year.

The coronavirus pandemic impacted sales in the first half of 2020. We recorded an upturn in demand for our products in the first quarter, but by the end of the period the demand started slowing down. In the second quarter, the demand was at the planned and estimated level.

## Product and Service Sales by Region

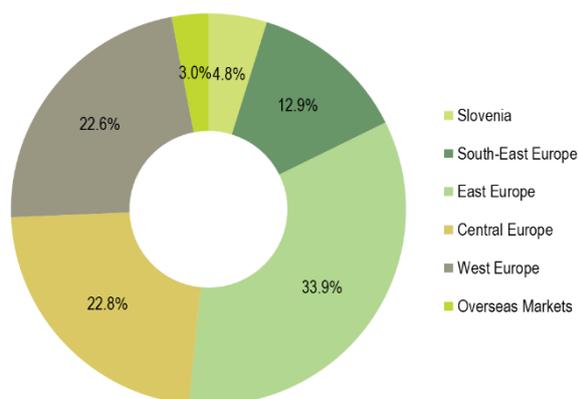
Region East Europe recorded the highest sales, €271.7 million, or 33.9% of total Krka Group sales. Region Central Europe recorded the second highest sales of €182.7 million, or 22.8% of total Krka Group sales. The third most productive region was Region West Europe with €181.6 million, or 22.6% of total

Krka Group sales. Region South-East Europe generated sales of €103.5 million, accounting for 12.9% of total sales, and Region Overseas Markets made €24 million or 3.0% of total sales. Sales by Region Slovenia amounted to €38.3 million, or 4.8% of total Krka Group sales.

## Product and Service Sales by Region

€ thousand	Krka Group			Krka		
	Jan-June 2020	Jan-June 2019	Index	Jan-June 2020	Jan-June 2019	Index
Slovenia	38,347	45,000	85	28,355	26,586	107
South-East Europe	103,534	98,709	105	102,817	97,373	106
East Europe	271,688	251,525	108	147,050	140,448	105
Central Europe	182,675	169,108	108	176,834	160,621	110
West Europe	181,572	170,443	107	174,515	140,602	124
Overseas Markets	24,031	24,551	98	21,880	22,116	99
<b>Total</b>	<b>801,847</b>	<b>759,336</b>	<b>106</b>	<b>651,451</b>	<b>587,746</b>	<b>111</b>

## 2020 Semi-annual Krka Group Product and Service Sales by Region



### Region Slovenia

Sales of products and services in Slovenia amounted to €38.3 million. Product sales of €28.4 million accounted for the major share of sales total, presenting a 7% year-on-year increase. Sales of prescription pharmaceuticals grew by 2% to €19.9 million and accounted for 70% of product sales. Accounting for 22% of sales total, non-prescription products saw 11% growth and were valued at €6.2 million. Animal health product sales grew by 51% to €2.3 million, constituting 8% of product sales. Health resorts and tourist services generated €10 million, a year-on-year decline owing to the coronavirus pandemic.

Products promoted in marketing campaigns contributed to sales the most, above all those from our key therapeutic classes: pharmaceuticals for the treatment of cardiovascular diseases, central nervous system, gastrointestinal tract, pain relief, and systemic treatment of infections, cold and flu products, and disinfectants.

Key brands of medicines for the treatment of cardiovascular diseases included:

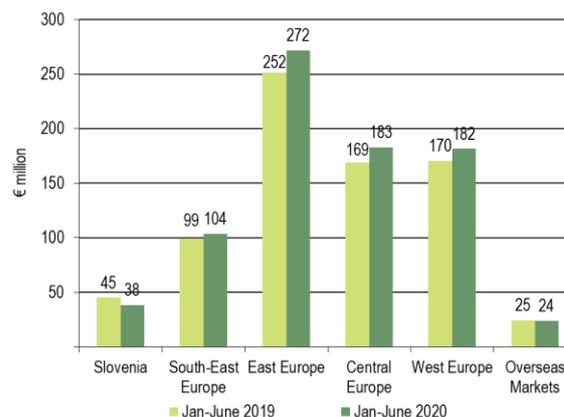
- Prenessa (perindopril),
- Renewel (perindopril/indapamide),
- Amlessa (perindopril/ amlodipine), and
- Amlewel (perindopril/amlodipine/indapamide).

With this products we strengthened our marketing position, earning us further recognition in the market of antihypertensive agents. Of the statin product

### Region South-East Europe

In the first half of 2020, product sales in Region South-East Europe amounted to €103.5 million, a 5%

## 2019 and 2020 Semi-annual Krka Group Product and Service Sales by Region



group, we strengthened the leading position of Sorvasta (rosuvastatin) and added Sorvitimb (rosuvastatin/ezetimibe) single-pill combination to our range. From our range of medicines for the treatment of pain, we primarily focused on two analgesics, Doreta (tramadol/paracetamol) and Nalgesin Forte (naproxen). We further strengthened recognition of two central nervous system agents, our newly launched antipsychotic Parnido (paliperidone) and an antidepressant Dulsevia (duloxetine). We added two products to our urology range, our new medicine Dutamyz (dutasteride/tamsulosin) and another strength of Tadilecto (tadalafil).

Of our prescription pharmaceuticals, Sorvasta (rosuvastatin), Nalgesin Forte (naproxen), Prenewel (perindopril/indapamide), Nolpaza (pantoprazole), Prenessa (perindopril), and Doreta (tramadol/paracetamol) recorded the strongest sales. Sales of Krka's non-prescription products were driven by two magnesium-containing products, Magnezij Krka and Magnesol, Nalgesin S (naproxen), the Daleron and Septotele brand products. Our top-selling animal health products were the disinfectant Ecocid S, followed by Fypryst and Fypryst Combo (fipronil/S-methoprene), and vitamin-mineral feed supplement Grovit.

During the corona virus pandemic, we enhanced our marketing-and-sales activities by employing digital communication.

year-on-year rise. We recorded growth in all regional markets, but figures generated in Romania and

Croatia, the two key markets in the region, added most to total sales.

In **Romania**, our key and leading regional market, sales amounted to €30.4 million, a 4% year-on-year rise. We ranked second among foreign providers of generic prescription pharmaceuticals, exceeding a 6% market share in terms of volume. We recorded the strongest sales with two medicines for the treatment of cardiovascular diseases, Atoris (atorvastatin) and Co-Prenessa (perindopril/indapamide). They were followed by Doreta (tramadol/paracetamol) and Roswera (rosuvastatin). As the country market contracted, sales of non-prescription products presented a slight downturn. Bilobil (ginkgo leaf extract) recorded the strongest sales in terms of value, while Nalgesin (naproxen), the Herbion brand products, Septanazal (xylometazoline/dexpanthenol), and our new product Vitamin D3 (cholecalciferol) also attained high sales figures. Sales of our animal health products were 14% higher this year than in the same period last year. Animal health products presented a rise thanks to good sales of Ecocid S; Enroxil (enrofloxacin) for farm animals; and companion animal products, especially Milprazon (milbemycin/praziquantel) and the Fypryst brand products.

**Croatia** is also one of our key markets where sales totalled €18.1 million, up 1% year on year. We ranked fourth among all providers of generic medicines and second among providers of medicines for veterinary use in the country. Prescription pharmaceuticals represented the major part of sales, above all Atoris (atorvastatin), Co-Perineva (perindopril/indapamide), Helex (alprazolam), Emanera (esomeprazole), Roswera (rosuvastatin), Valsacombi (valsartan/hydrochlorothiazide), Co-Dalneva (perindopril/amlodipine/indapamide), and Dalneva (perindopril/amlodipine). Co-Dalneva (perindopril/amlodipine/indapamide) and Doreta (tramadol/paracetamol) presented the highest growth in absolute terms. Non-prescription products saw a 6% year-on-year drop. Nalgesin (naproxen) and the Septotele brand products sold best. Year on year, sales of animal health products increased by 7%. The Fypryst brand products, Enroxil (enrofloxacin), Ecocid, and Tuloxxin (tulathromycin) generated strongest sales.

In **Serbia**, we recorded sales of €14.4 million, a 7% year-on-year rise. Prescription pharmaceuticals accounted for 85% of sales and saw 8% sales growth. Nolpaza (pantoprazole), Roxera (rosuvastatin), Co-Amlessa (perindopril/amlodipine

/indapamide), Atoris (atorvastatin), Co-Prenessa (perindopril/indapamide), Ampril (ramipril), Valsacor (valsartan), and Valsacombi (valsartan/hydrochlorothiazide) generated the highest sales. Co-Amlessa (perindopril/amlodipine/indapamide) and Nolpaza (pantoprazole) presented the highest growth in absolute terms. Sales of non-prescription products decreased by 16% year on year. Key products included Bilobil (ginkgo leaf extract), Nalgesin (naproxen), and products of the Septotele and Herbion brands. Year on year, sales of animal health products went up by 35%. Products sold under the Fypryst brand, Enroxil (enrofloxacin), Calfoset and Dehinel recorded the strongest sales.

In **Bulgaria**, sales growth was 2%. Sales amounted to €11.8 million, with prescription pharmaceuticals constituting the major share. Our Co-Valsacor (valsartan/hydrochlorothiazide) was taken by 85% of patients on this single-pill therapy and Valsacor (valsartan) by 76%. Roswera (rosuvastatin), Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), Co-Prenessa (perindopril/indapamide), and Wamlox (amlodipine/valsartan) also added substantially to the sales amount. Non-prescription product sales saw a slight year-on-year decline in terms of value, whereas sales of animal health products grew by 20%.

In **North Macedonia**, we generated sales of €11.5 million, up slightly more than 7% year on year. Krka retained first place among foreign providers of generic medicines in the country. Prescription pharmaceuticals constituted the largest part of sales, recording 7% growth. They accounted for 85% of Krka sales and remained the leading Krka's product group in the country. Our most important prescription pharmaceuticals were Roswera (rosuvastatin), Nolpaza (pantoprazole), Enap (enalapril), Lorista (losartan), Atoris (atorvastatin), and Tanyz (tamsulosin). Sales of non-prescription products advanced by 7%, with leading products sold under the Daleron brand, Bilobil (ginkgo leaf extract), Septanazal (xylometazoline/dexpanthenol), and the Herbion brand. We also recorded sales growth in animal health products. In particular products sold under the Fypryst brand, Ecocid, and Enroxil (enrofloxacin) sold best.

In **Bosnia and Herzegovina**, we recorded 9% sales growth. Prescription pharmaceuticals and non-prescription products added the most to sales total of €11.2 million. We retained the first place among foreign providers of generic medicines in the country. Of prescription pharmaceuticals, Enap H/HL

(enalapril/hydrochlorothiazide), Roswera (rosuvastatin), Lexaurin (bromazepam), Enap (enalapril), Atoris (atorvastatin), Naklofen (diclofenac), and Nolpaza (pantoprazole) generated strongest sales. Compared to the same period last year, a slight downturn in sales of non-prescription products was recorded. Nalgesin (naproxen) and the Septolete brand products recorded strongest sales. Sales of animal health products went up. Products under the Fypryst brand sold best.

## Region East Europe

Region East Europe generated product sales of €271.7 million, or 8% more than in the same period a year ago. Sales growth in our key market, the Russian Federation, where we recorded absolute highest sales growth, was essential. In relative terms, growth was most substantial in Georgia, Tajikistan, and Kyrgyzstan. In Armenia, Kazakhstan, and Mongolia, sales lagged behind year on year. We achieved sales growth with prescription pharmaceuticals and animal health products, but not with non-prescription products.

In the **Russian Federation**, which remained our key and largest individual market, product sales reached €180.2 million and were 8% higher compared to the same period last year. In the Russian Federation, Krka ranks as one of the leading suppliers of generic medicines.

Prescription pharmaceuticals constituted 86% of our sales in the Russian Federation and recorded 11% year-on-year growth. Lorista (losartan), Valsacor (valsartan), Atoris (atorvastatin), Lorista H/HD (losartan/hydrochlorothiazide), Nolpaza (pantoprazole), Perineva (perindopril), Valsacor H/HD (valsartan/hydrochlorothiazide), Co-Perineva (perindopril/indapamide), Vamloset (valsartan/amlodipine), Roxera (rosuvastatin), Zyllt (clopidogrel), Enap (enalapril), Co-Dalneva (perindopril/amlodipine/indapamide), Enap H/HL (enalapril/hydrochlorothiazide), and Nolicin (norfloxacin) generated the strongest sales. Valsacor (Vamloset) and Perineva (Dalneva) product lines presented the highest absolute and relative sales growth. We successfully launched Roxatenz-inda (perindopril/indapamide/rosuvastatin). We are the leading provider of medicines in the pharmacy segment and have been strengthening our position of the leading provider of medicines for the treatment of cardiovascular diseases in the Russian Federation.

In **Kosovo**, we generated sales of €3.7 million (6% growth) and maintained our position among the leading providers of medicines in the country. In **Albania**, we generated €1.5 million by product sales, or 20% more than in the same period last year. Prescription pharmaceuticals added the most to total sales, among them Ultop (omeprazole), Nolpaza (pantoprazole), and Atoris (atorvastatin).

Product sales in **Montenegro** yielded €1.0 million, a 24% climb compared to the same period last year.

Among non-prescription products, Septolete Total (benzylamine/cetylpyridinium chloride) and products sold under the Herbion brand and Nalgesin (naproxen) were at the forefront. We also successfully marketed Sleepzone (doxylamine) and Panatus (butamirate) introduced in the market recently. Animal health products presented a 13% increase and Trisulfon (sulfamonomethoxine/trimethoprim), Floron (florfenicol), Ecocid, and Milprazon (milbemycin/praziquantel) generated highest sales.

We have been continuously increasing production capacities in our subsidiary Krka-Rus, and in the first half of 2020 we produced 80% of all products intended for the Russian market there. This helped us consolidate our position of a domestic manufacturer in the Russian Federation.

In **Ukraine**, another key market, sales totalled €37.1 million, a 3% rise on the same period in 2019. This growth rate exceeded sales volume growth dynamics of the Ukrainian market and further strengthened our market share in the country. We ranked third in terms of value among foreign suppliers of generic medicines in the market. Growth of prescription pharmaceuticals, the leading product group, was essential. Medicines for the treatment of hypertension and cardiovascular diseases topped sales. Co-Prenessa (perindopril/indapamide), Co-Amlessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole) recorded the highest sales.

The Herbion brand products, Nalgesin (naproxen), and Duovit were top-selling non-prescription products. Year on year, sales of animal health products went up by 55%.

## Subregion East Europe B

In the first half of 2020, Subregion East Europe B, composed of Belarus, Mongolia, Azerbaijan, and Armenia, generated sales of €20.2 million, up 13% compared to the same period last year.

Year on year, sales in **Belarus** climbed by 30% to €10.6 million. According to the available data, we ranked second among foreign providers of generic medicines in the country. We increased sales of medicines from our key product group prescription pharmaceuticals by 29%. Co-Amlessa (perindopril/amlodipine/indapamide), Nolpaza (pantoprazole), and Lorista H/HD (losartan/hydrochlorothiazide) topped sales. Of non-prescription products, Septolete Total (benzylamine/cetylpyridinium chloride) and products marketed under the Herbion brand sold best.

In **Mongolia**, year-on-year sales declined by 4% to 4.4 million. Even so, we have maintained our position among the leading providers of medicines in the country. Year on year, sales of prescription pharmaceuticals remained unchanged, while non-prescription products presented a 19% downturn in sales. Nolpaza (pantoprazole) and Lorista (losartan) remained leaders in terms of sales. In the first half of 2020, we started marketing Dilaxa (celecoxib). The leading non-prescription products in terms of sales were Bilobil, Nalgesin (naproxen), and products sold under the Septolete brand.

In **Azerbaijan**, sales of prescription pharmaceuticals increased by 8%, and even though sales of non-prescription products dropped, we generated €2.9 million and recorded a 6% year-on-year sales rise. Key prescription pharmaceuticals included Dexamethason (dexamethasone), Co-Amlessa (perindopril/amlodipine/indapamide), Amlessa (perindopril/amlodipine), Enap (enalapril), Co-Prenessa (perindopril/indapamide), Nolpaza (pantoprazole), Atoris (atorvastatin), and Lorista H/HD (losartan/hydrochlorothiazide).

Sales in **Armenia** amounted to €2.3 million, down 3% on sales from the same period last year. The following prescription pharmaceuticals constituted the bulk of total sales: Co-Amlessa (perindopril/amlodipine/indapamide), Captopril (captopril), and Atoris (atorvastatin).

## Subregion East Europe K

Our Subregion East Europe K includes Kazakhstan, Moldova, and Kyrgyzstan. The subregional sales in the first half of 2020 totalled €16.0 million, representing a 3% year-on-year rise. We recorded a drop in sales in Kazakhstan, our largest subregional market, while the other two markets saw growth, Kyrgyzstan the highest.

Sales in **Kazakhstan** totalled €8.0 million, a 7% year-on-year drop. The majority of sales, 72%, was generated by sales of prescription pharmaceuticals. Leading medicines were: Atoris (atorvastatin), Enap (enalapril), Nolpaza (pantoprazole), Valsacor (valsartan), and Valodip (valsartan/amlodipine). Non-prescription products accounted for 25% of total sales. Herbion, Duovit, and Pikovit brand products recorded strongest sales.

In **Moldova**, we generated €5.5 million by product sales, an 8% year-on-year rise. Prescription pharmaceuticals accounted for 75% of country sales volume, up 13%. Sales were driven by Lorista (losartan), Ampril (ramipril), and Valsacor (valsartan) that also achieved the highest absolute growth of all our products. Of non-prescription products, Septanazal (xylometazoline/dexpanthenol) and the Septolete brand products presented strongest sales.

In **Kyrgyzstan**, we generated €2.5 million by product sales, or 37% more than in the same period last year. Prescription pharmaceuticals accounted for the major, 75%, share of total sales, especially Lorista (losartan), Atoris (atorvastatin), and Zyllit (clopidogrel). Products sold under the Pikovit, Septolete, and Herbion brands were the leading non-prescription products in terms of sales.

## Subregion East Europe U

Subregion East Europe U consists of Uzbekistan, Georgia, Tajikistan, and Turkmenistan. Subregional product sales totalled €18.2 million, an 18% increase compared to the same period last year. We recorded growth in all markets, the highest in Georgia and the lowest in Uzbekistan. In Georgia, sales value was the highest and constituted 68% of total subregional sales.

In **Uzbekistan**, our sales reached €12.5 million (8% growth). Prescription pharmaceuticals were at the forefront, especially Amlessa (perindopril/amlodipine), Lorista (losartan), and Roswera (rosuvastatin). Sales of our non-prescription products

were driven by products sold under the Septolete, Pikovit, and Herbion brands.

In **Georgia**, our product sales advanced by 51% to €3.3 million. Prescription pharmaceuticals saw the strongest sales, in particular Lorista H/HD (losartan/hydrochlorothiazide), Co-Amlessa (perindopril/amlodipine/indapamide), Roswera (rosuvastatin), and Enap H/HL (enalapril/hydrochlorothiazide). Sales of our non-prescription products were driven by Nalgesin (naproxen) and the Septolete brand products.

## Region Central Europe

Region Central Europe generated sales of €182.7 million or 8% more than in the same period last year. We recorded the highest sales growth in absolute terms in Poland, and in relative terms in Estonia. Except for Slovakia and Hungary, we increased sales also in other regional markets.

**Poland** remained our leading and key regional market. Product sales reached €85.9 million, exceeding sales by 8% year on year. We ranked fourth among foreign providers of generic medicines in the country.

The leading product group was that of prescription pharmaceuticals, which also presented the highest growth. Above average sales growth dynamics in most therapeutic areas resulted from strong sales of our new products introduced to the market in previous years. With respect to value, medicines from the reimbursement list contributed the most to sales total, especially Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Roswera (rosuvastatin), Doreta (tramadol/paracetamol), Tolura (telmisartan), Tolucombi (telmisartan/hydrochlorothiazide), Karbis (candesartan), and Karbicombi (candesartan/hydrochlorothiazide). We remained one of the leading producers of prescription pharmaceuticals from the reimbursement list for patients aged 75 years plus.

Year on year, sales of non-prescription products decreased by 14%. Our leading non-prescription products were those of the Septolete brand and Bilobil (ginkgo leaf extract). Sales of our animal health products generated €3.6 million, a 17% year-on-year climb. The Fypryst brand products recorded strongest sales, and were followed by Floron

In **Tajikistan**, sales increased by 42% to €1.3 million year on year. Prescription pharmaceuticals generated strongest sales, in particular Dexamethason (dexamethasone) and Tadol (tramadol). The Pikovit brand products were top-selling non-prescription products and also our leading products in the country.

In **Turkmenistan**, product sales totalled €1.1 million, a 34% year-on-year increase. The leading prescription pharmaceutical in terms of sales was Nolpaza (pantoprazole), while the Herbion brand products and Pikovit topped sales of non-prescription products.

(florfenicol), the Dehinel brand products, Milprazon (milbemycin/praziquantel), and Enroxil (enrofloxacin).

In **Hungary**, also Krka's key market, we generated €25.9 million by sales, a 5% year-on-year slide. Prescription pharmaceuticals accounted for the major part of sales, in particular Co-Prenessa (perindopril/indapamide), Roxera (rosuvastatin), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Atoris (atorvastatin), Zyllt (clopidogrel), Emozul (esomeprazole), Co-Dalnessa (perindopril/amlodipine/indapamide), and Nolpaza (pantoprazole). Year on year, sales of non-prescription products presented a drop. The most important products were Venter (sucralfate), Bilobil (ginkgo leaf extract) and products sold under the Herbion brand. Animal health products added €1.1 million to total sales. Products sold under the Fypryst brand, Milprazon (milbemycin/praziquantel), and Entemulin (tiamulin) fared the best.

The **Czech Republic** is also one of our key markets, where we ranked fifth among all suppliers of generic medicines. Our product sales amounted to €25.8 million, a 9% rise compared to the first half of 2019. Prescription pharmaceuticals maintained the leading position in sales, in particular Lexaurin (bromazepam), Atoris (atorvastatin), Valsacombi (valsartan/hydrochlorothiazide), Prenewel (perindopril/indapamide), and Sorvasta (rosuvastatin). They were followed by Tonanda (perindopril/amlodipine/indapamide), Emanera (esomeprazole), Doreta (tramadol/paracetamol), Asentra (sertraline), and Valsacor (valsartan).

Year on year, sales of non-prescription products presented a drop. Nalgesin S (naproxen) and the

Septolete brand products were most important in terms of sales. Sales growth of animal health products reached 20%, with Fypryst and Dehinel brand products at the head.

In **Slovakia**, our product sales totalled €19.6 million, a 3% slip. We ranked third among all foreign suppliers of generic medicines in the country. Prescription pharmaceuticals constituted the bulk of total sales, especially Nolpaza (pantoprazole), Co-Prenessa (perindopril/indapamide), Atoris (atorvastatin), Prenessa (perindopril), Co-Amlessa (perindopril/amlodipine/indapamide), Lexaurin (bromazepam), Valsacor (valsartan), Co-Valsacor (valsartan/hydrochlorothiazide), Amlessa (perindopril/amlodipine), and Doreta (tramadol/paracetamol).

Non-prescription product sales declined. Nalgesin S (naproxen), Flebaven (diosmin), and products sold under the Septolete brand added most to total sales. Our animal health product sales saw 41% growth. Key products were those sold under the Fypryst brand, Enroxil (enrofloxacin), and Milprazon (milbemycin/praziquantel).

In **Lithuania**, sales grew by 38% to €12.0 million. Prescription pharmaceuticals accounted for 86% of total country sales with key products Valsacombi (valsartan/hydrochlorothiazide), Valsacor (valsartan), Roswera (rosuvastatin), Nolpaza (pantoprazole), and Atoris (atorvastatin). Non-prescription product sales advanced by 32%, and two most important products were Nalgesin S

## Region West Europe

Countries of Region West Europe as a whole classify as our key markets. After record sales in the first quarter of 2020, primarily due to a sales peak in March when distributors' demand for our products increased, we generated €7.1 million less in the second quarter than in the first, but still 1% more than in the second quarter of 2019. In the first half of 2020, regional product sales amounted to €181.6 million, a 7% rise on the same period last year. We increased sales in all our western European markets, except in the United Kingdom and Spain. Sales were the strongest in Germany, the Scandinavian countries, and Spain. We recorded the highest growth in absolute terms in Germany, and the highest growth in relative terms in the Benelux countries. Sales of our own product brands through subsidiaries increased by 5% and accounted for 74% of total

(naproxen) and Septabene (benzylamine/cetylpyridinium chloride). Sales of animal health products went up 13%. Products sold under the Fypryst brand and Milprazon (milbemycin/praziquantel) were at the forefront.

In **Latvia**, sales were valued at €7.2 million, a 22% advance on the same period last year. Prescription pharmaceuticals accounted for the largest share in sales, especially Co-Amlessa (perindopril/amlodipine/indapamide), Rosuvastatin Krka (rosuvastatin), Renewel (perindopril/indapamide), Atoris (atorvastatin), and Nolpaza (pantoprazole). Sales of non-prescription products generated €0.9 million, up 39% year on year. Daleron COLD3 (paracetamol/pseudoephedrine/dextromethorphan), Septabene (benzylamine/cetylpyridinium chloride), and Septanazol (xylometazoline/dexpanthenol) were leading non-prescription products. Sales of animal health products went up by 26%, and the Fypryst brand products stood out.

Sales in **Estonia** totalled €6.2 million, a 62% year-on-year surge. Prescription products contributed to sales the most, of which Darunavir Krka (darunavir), Co-Prenessa (perindopril/indapamide), Roswera (rosuvastatin), Atoris (atorvastatin), Co-Dalnessa (perindopril/amlodipine/indapamide), Prenessa (perindopril), and Escadra (esomeprazole) recorded the strongest sales. The Septolete brand products topped our non-prescription product sales, and the Fypryst brand products were at the head of our animal health sales.

regional sales. Sales through unrelated parties totalled €47.5 million, an 11% year-on-year rise.

Prescription pharmaceuticals were the leading product group accounting for 92% of total regional sales, a 7% year-on-year sales increase. We recorded the highest absolute sales growth in Germany, France, and the Benelux countries. Medicines containing valsartan, esomeprazole, candesartan, and venlafaxine were the most important. Year on year, we recorded an 11% decline in sales of animal health products primarily due to 33% lower sales to unrelated parties. Sales of animal health products through our own sales network went up by 17% and accounted for 59% of total regional animal health sales. In terms of sales, products containing the combination of milbemycin and praziquantel remained the leaders. Non-prescription

product sales saw a 60% rise and accounted for just short of 2% of the regional sales. Our products marketed under the Septotele brand generated the strongest sales.

**Germany** remained our largest regional market generating sales in total of €47.9 million. Sales climbed by 18% in particular because of good sales of advanced antihypertensives. Prescription pharmaceuticals composed the bulk of sales, in particular single-pill combinations of valsartan and amlodipine; and single-pill combinations of valsartan, amlodipine and hydrochlorothiazide; candesartan, venlafaxine, and esomeprazole. We remained the leading provider of generic sartans in Germany.

In the **Scandinavian countries**, sales grew by 5% to €32.3 million. Our leading market remained Sweden, and was followed by Denmark, Finland, Norway, and Iceland – where we recorded the highest (30%) growth. We increased sales through our subsidiary Krka Sverige by 5% and through our subsidiary Krka Finland by 7%. The proportion of sales through subsidiaries reached 97% of total sales in the market. Sales were driven by medicines containing losartan, venlafaxine, sertraline, and esomeprazole. In Norway, we retained the leading position by many medicines, above all those containing esomeprazole, valsartan, and enalapril.

In **Spain**, product sales amounted to €21.8 million, a 13% year-on-year decline. We made the bulk of our sales through our subsidiary Krka Farmacéutica. in tender sales in Andalusia. Product sales through the subsidiary reached 73% of our total sales in the country. Medicines containing bisoprolol, donepezil, quetiapine, and pramipexole generated the strongest sales.

In **Italy**, we recorded a 7% rise in terms of value compared to the same period last year, which amounted to €18.2 million. Sales through our subsidiary, Krka Farmaceutici Milano, grew by 1% and accounted for two thirds of our total sales in the country. We increased sales through the subsidiary in all our product groups. Medicines containing clopidogrel, pantoprazole, gliclazide, and quetiapine generated most substantial sales.

In **France**, we generated €17.5 million by product sales in the first half of 2020, or 22% more than in the

same period last year. The largest proportion was generated by sales through unrelated parties, primarily by medicines containing esomeprazole, clopidogrel, and gliclazide. Sales through our subsidiary Krka France grew by 19% in terms of value, and accounted for 29% of our total sales in France. Strongest sales were made by medicines containing tadalafil and dasatinib, and the animal health product combination of milbemycin and praziquantel.

In **Portugal**, products sold under our own brands accounted for 65% of total sales, 11% growth, and sales total of €14.2 million. In this way, we maintained more than a 5% generic pharmaceutical market share in the country. The leading prescription pharmaceuticals were products containing active substances esomeprazole, olanzapine, darunavir, and the combination of perindopril and indapamide.

In the **Benelux countries**, sales amounted to €8.7 million, a 59% take off. Our subsidiary Krka Belgium contributed the most to the increase due to their good performance and a 84% sales upsurge. Medicines containing esomeprazole, valsartan, venlafaxine, and clopidogrel stood out in terms of sales.

Sales in the **United Kingdom** totalled €6.7 million, a 43% year-on-year fall. Prescription pharmaceuticals added the most to total sales, above all those containing perindopril, irbesartan, and losartan. Sales through our subsidiary Krka UK increased by 25%.

In **Ireland**, we generated €5.1 million by product sales, a 9% year-on-year rise. Sales through our subsidiary Krka Pharma Dublin went up by 7%, accounting for 88% of our sales in the country. We remained among the leading providers of medicines containing active substances valsartan, esomeprazole, tadalafil, venlafaxine, duloxetine, and pregabalin.

In **Austria**, our sales went up by 8% to €4.9 million. Sales were driven by medicines containing pregabalin, duloxetine, and valsartan.

In **other European countries**, we made most of our sales through unrelated parties. Our product sales totalled €4.2 million, or 31% more than in the same period last year.

## Region Overseas Markets

Region Overseas Markets generated product sales of €24.0 million, a 2% decline on the same period a year ago. Prescription pharmaceuticals sold under our own brand names in most regional markets accounted for the major part of total sales.

In the countries of the **Far East** and **Africa**, we made €13.8 million in sales and recorded 26% growth. Our product sales were most substantial in the Republic of South Africa and were followed by Vietnam, Malaysia, Ghana, and China. Lanzul (lansoprazole), Kamiren (doxazosin), Doreta (tramadol/paracetamol), Tenox (amlodipine), and Palprostes (saw palmetto extract) topped sales.

When doing business in the countries of the **Middle East**, we still encounter challenges posed by the economic situation in the area. Sales of our products amounted to €9.5 million, a 27% year-on-year drop.

We recorded lower year-on-year sales in Iran, while our sales increased in all other countries. Next to Iran, our largest regional markets were Iraq, Saudi Arabia, Lebanon, and Yemen. Asentra (sertraline), Zyllt (clopidogrel), Emanera (esomeprazole), and Yasnal (donepezil) were our leading products with respect to sales.

The smallest of the three regional offices is the one that operates in the **Americas**. Especially in the countries of the Central America, our product sales generated €0.8 million, a 29% year-on-year rise. Medicines sold under brands Valsaden (valsartan/hydrochlorothiazide), Valsacor (valsartan), Yasnal (donepezil), and Rawel (indapamide) generated strongest sales.

## Product and Service Sales by Category

In the period from January to June 2020, medicinal products for human use were the most important product category in the sales structure of the Krka Group and accounted for 94.0% of total sales. Prescription pharmaceuticals constituted 86.3% of the Krka Group total sales and were followed by non-prescription products and animal health products.

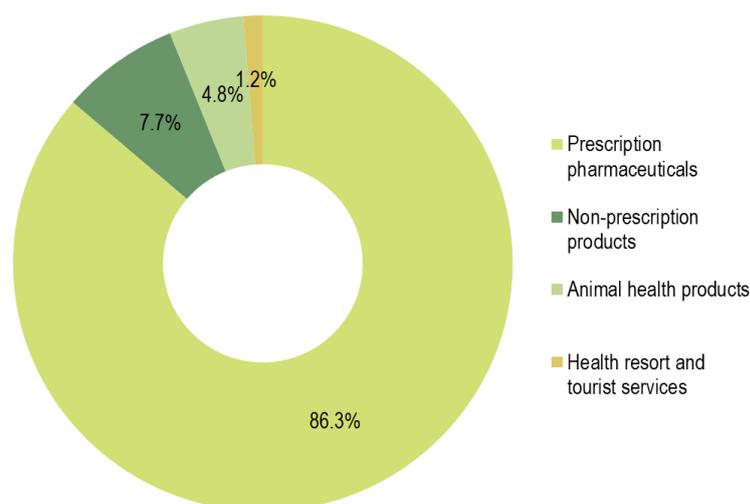
Year on year, sales of prescription pharmaceuticals and animal health products increased by 8% each, while non-prescription product sales declined by 2%.

Sales of health resort and tourist services constituted 1.2% of total Krka Group sales, a 46% decrease on the same period last year due to the coronavirus pandemic.

## Product and Service Sales by Category

€ thousand	Krka Group			Krka		
	Jan–June 2020	Jan–June 2019	Index	Jan–June 2020	Jan–June 2019	Index
Human health medicines	753,174	705,099	107	615,299	555,284	111
– Prescription pharmaceuticals	691,680	642,562	108	558,580	500,880	112
– Non-prescription products	61,494	62,537	98	56,719	54,404	104
Animal health products	38,680	35,822	108	36,152	32,462	111
Health resorts and tourist services	9,993	18,415	54			
<b>Total</b>	<b>801,847</b>	<b>759,336</b>	<b>106</b>	<b>651,451</b>	<b>587,746</b>	<b>111</b>

## 2020 Semi-annual Krka Group Product and Service Sales by Category



### Prescription Pharmaceuticals

The Krka Group recorded 8% growth in sales of prescription pharmaceuticals, generating €691.7 million.

We recorded sales increases as follows:

- Region East Europe 10%;
- Region Central Europe 9%;
- Region West Europe 7%;
- Region South-East Europe 5%; and
- Region Slovenia 2%.

Of our major markets, sales growth was most notable in:

- Germany 17 %;
- The Russian Federation 11%; and
- Poland 8%.

Year on year, other major markets recorded sales growth in prescription pharmaceuticals as follows:

- The Czech Republic 10%;
- Italy 9%;
- The Scandinavian countries 5%;
- Romania 4%;
- Ukraine 2%;
- Slovenia 2%; and
- Croatia 1%.

Medium-sized markets recorded sales growth as follows:

- The Benelux countries 72%;
- Lithuania 41%;
- France 37%;
- Belarus 29%;

- Latvia 19%;
- Bosnia and Herzegovina 13%;
- Portugal 12%; and
- Ireland 11%.

Of small markets, Krka prescription pharmaceuticals presented the steepest sales growth in:

- Estonia 74%;
- Georgia 61%;
- Tajikistan 38%;
- Montenegro 27%;
- Kyrgyzstan 26%, and
- Albania 21%.

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\*);
- losartan (Lorista\*, Lorista H\*, Lorista HD\*, Tenloris\*);
- atorvastatin (Atoris);
- pantoprazole (Nolpaza\*);
- rosuvastatin (Roswera\*, Co-Roswera\*);
- esomeprazole (Emanera\*);
- enalapril (Enap, Enap H, Enap HL, Elnap\*);
- candesartan (Karbic\*, Karbicombi\*, Kandoset\*); and
- tramadol (Doreta\*, Tadol\*).

The following medicines presented the highest absolute sales growth in a year-on-year comparison:

- Vamloset\* (valsartan/amlodipine);
- Co-Vamloset\* (valsartan/amlodipine/hydrochlorothiazide);
- Alventa\* (venlafaxine);
- Co-Amlessa\* (perindopril/amlodipine/indapamide);
- Emanera\* (esomeprazole);
- Gliclada\* (gliclazide);
- Asentra (sertraline);
- Co-Prenessa\* (perindopril/indapamide);
- Doreta\* (tramadol/paracetamol);
- Prenessa\* (perindopril); and
- Our new medicine dasatinib.

In the first two quarters of 2020, our very new medicines included:

- Camlocor\* (candesartan/amlodipine) (for the treatment of hypertension) in Germany and Poland;
- Roxampex\* (perindopril/amlodipine/rosuvastatin) (for concomitant treatment of hypertension and hyperlipidemia) in Lithuania, and Latvia;
- Nolibeta\* (nebivolol) (for the treatment of hypertension and mild and moderate chronic heart failure) in the Czech Republic, Slovakia, the Scandinavian countries, and Spain;
- dasatinib (for the treatment of certain types of tumours) in Germany, the Scandinavian countries, France, Portugal, Slovakia, and Austria;
- erlotinib (for the treatment of certain types of tumours) in Germany, the Scandinavian countries, and France;
- Sidarso\* (silodosin) (for the treatment of benign prostatic hyperplasia) in Germany, Spain, Italy, Estonia, Portugal, and Slovakia;

## Non-Prescription Products

Sales of non-prescription products totalled €61.5 million, a 2% decline on the same period last year.

In comparison to the same period a year ago, sales increased in Region West Europe (by 60%), and Region Slovenia (by 11%). Region South-East Europe maintained sales at the 2019 level, while other regions recorded downturns in sales.

- Tadusta\* (dutasteride/tamsulosin) (for the treatment of moderate to severe symptoms of benign prostatic hyperplasia) in Germany, Slovenia, Lithuania, Latvia, Estonia, Hungary, the Czech Republic, and Slovakia.

We launched several pharmaceuticals on new markets:

- Roxiper\* (perindopril/indapamide/rosuvastatin) in Bulgaria, Estonia, and the Russian Federation;
- Co-Roswera\* (rosuvastatin/ezetimibe) in Slovenia, Lithuania, Estonia, and Portugal;
- Co-Amlessa\* (perindopril/amlodipine/indapamide) in Mongolia;
- Wamlox\* (valsartan/amlodipine) in the Czech Republic, North Macedonia, and Albania;
- Valtricom\* (valsartan/amlodipine/hydrochlorothiazide) in the Czech Republic, Slovakia, Austria, Georgia, and North Macedonia;
- Lortenza\* (losartan/amlodipine) in Mongolia and Kyrgyzstan;
- Eliskardia\* (prasugrel) in Slovenia;
- Apleria\* (eplerenone) in North Macedonia;
- Dilaxa\* (celecoxib) in Mongolia;
- Kventiax\* (quetiapine), Zalasta (olanzapine), and Torendo\* (risperidone) in Ukraine;
- entecavir in France, Benelux, Slovenia, and Romania;
- tamsulosin in France, Spain, the Scandinavian countries, and Italy;
- febuxostat in the Czech Republic; and
- dexamethasone in Hungary.

Due to the coronavirus pandemic outbreak, we used remote communication to conduct our marketing activities in most markets for at least part of that period, which were of limited extent.

Region East Europe that generates 50% of total non-prescription sales presented a 5% drop. We recorded growth in:

- Belarus 31%;
- Armenia 9%;
- Uzbekistan 27%;
- Kyrgyzstan 85%;
- Tajikistan 49%;
- Turkmenistan 77%; and
- Ukraine 1%.

Sales went down by 16% in our largest market, the Russian Federation, and also in certain other countries.

In the Region South-East Europe, sales increased in Kosovo by 52%, North Macedonia by 7%, and Albania by 11%. Other regional markets recorded downturns in sales. Region Central Europe only recorded sales growth in the Baltic States, while

### Animal Health Products

Sales of our animal health products amounted to €38.7 million, up 8% on sales from the same period last year.

Sales growth was recorded in the following regions:

- Slovenia 51%;
- Central Europe 20%;
- South-East Europe 17%;
- East Europe 17%.

Sales in Region West Europe presented a drop.

Of our major markets, sales presented most notable advances in:

- Poland 17%;
- The Russian Federation 13%;
- The United Kingdom 10%;
- The Benelux countries 20%; and
- Germany 5%.

### Health Resorts and Tourist Services

In the first half of 2020, Terme Krka generated €10.0 million sales total, or 54% of sales amount generated last year. Sales slumped because the Slovenian government adopted measures for curbing the coronavirus pandemic and Terme Krka closed all its units for two and a half months.

Region West Europe posted highest sales growth in France, Germany, and Portugal.

The leading non-prescription products were the Septotele\*, Nalgesin\* (naproxen), the Herbion, Bilobil, and Pikovit brand products, and Daleron\* (paracetamol). Daleron\* (paracetamol), Nalgesin\* (naproxen), and Pikovit contributed to growth the most.

Of other major markets, sales growth was presented in:

- The Czech Republic 20%;
- Romania 14%;
- Croatia 7%; and
- Serbia 35%.

Fypryst\* (fipronil), including combinations, Milprazon\* (milbemycin/praziquantel), Floron\* (florfenicol), Enroxil\* (enrofloxacin), and the disinfectant Ecocid\* S were leading products with respect to sales.

Companion animal products constituted more than 50% of total animal health products sales. In the first half of 2020, we added Prinocate\* (imidacloprid/moxidectin), a new antiparasitic, to our companion animal range and launched it in the United Kingdom and Germany.

The subsidiary recorded 83,056 overnight stays. Of that, health resort Talaso Strunjan accounted for 34%, Terme Dolenjske Toplice 33%, and Terme Šmarješke Toplice 31%. Most guests came from Slovenia.

\* Products marketed under different brand names in individual markets are marked with an asterisk.

## Research and Development

In the first half of 2020, we obtained marketing authorisations for four new products in 13 dosage forms and strengths. We were granted marketing authorisations for **Xerdoxo/Rivarolto** (rivaroxaban), a single-pill combination **Olsitri** (olmesartan/amlodipine/hydrochlorothiazide), and **Erlotinib Krka**

### Prescription Pharmaceuticals

Antithrombotic agents are our very important new therapeutic area, which are also significant in terms of sales. We were granted a new marketing authorisation for our antithrombotic agent, **Xerdoxo/Rivarolto** (rivaroxaban) film-coated tablets in four strengths. The agent is used concomitantly with other medicines for prevention of atherothrombotic events in adults with cardiovascular diseases. We obtained marketing authorisations in order to launch the medicine on selected markets at the end of 2020. Most advanced anticoagulants provide effective and safe therapy for cardiovascular patients and importantly improve quality of their lives.

The range of Krka cardiovascular medicines was extended by a new single-pill combination **Olsitri** (olmesartan/amlodipine/hydrochlorothiazide). Film-coated tablets are available in five strengths. We concluded the registration procedure and were granted marketing authorisations for entering the market as the first generic pharmaceutical company after the patent expires. The medicine is indicated for lowering high blood pressure in patients with resistant hypertension.

We also obtained marketing authorisations for our new oncology pharmaceutical, **Erlotinib Krka** (erlotinib) film-coated tablets in three strengths. The medicine is indicated for the treatment of patients with metastatic non-small cell lung cancer and in combination with another medication for the treatment of pancreatic cancer. We launched this medicine, which is the result of our own research and development, on selected markets immediately after originator's patent expired. We produce this medicine at the DPC Jastrebarsko plant in the state-of-the-art department for manufacture of products containing highly potent APIs.

In the European markets, we obtained marketing authorisations for our established medicines. We were also granted a marketing authorisation for our cardiovascular agent **Kandoset** (candesartan/

(erlotinib), and a new non-prescription formulation of **B-complex**.

We were extending marketing authorisations for Krka products in all our markets.

amlodipine) tablets in Hungary. We completed the registration procedure for our single-pill combination, **Amlodipine/Valsartan/Hydrochlorothiazide Krka** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets in Ireland and Portugal. We obtained marketing authorisations for **Roxiper** (perindopril/indapamide/rosuvastatin) in Croatia. Additionally, we obtained marketing authorisations in Malta for **Tadagis** (tadalafil) for the treatment of erectile dysfunction and **Ezoleta** (ezetimib) for the treatment of increased levels of cholesterol. In Iceland, marketing authorisations for **Doxazosin Krka** (doxazosin) prolonged release tablets indicated for the treatment of benign prostatic hyperplasia were approved, and we also received marketing authorisations under the European decentralised procedure for an analgesic **Daleron/Paracetamol Krka** tablets in two strengths.

In the markets of Region East Europe, we obtained marketing authorisations for established medicinal products from key therapeutic classes. We extended our range of products in various regional countries by obtaining marketing authorisations primarily for cardiovascular agents, central nervous system medications, and antivirals.

In the Russian Federation, we obtained marketing authorisations for our antipsychotic agent, **Kventiax** (quetiapine) prolonged release tablets; a single-pill combination **Valraxet** (valsartan/rosuvastatin) film-coated tablets indicated for the treatment of cardiovascular diseases; and **Tenofovir + Emtricitabin – KRKA** (emtricitabine/tenofovir) film-coated tablets indicated for the treatment of HIV infection.

In Ukraine, we obtained marketing authorisations for another medication from our central nervous system range, **Kventiax** (quetiapine) prolonged-release tablets, completing our range of approved medicines from this therapeutic class. We started marketing it there this year. We were also granted marketing

authorisations for our cardiovascular agent **Co-Valodip** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets.

In Belarus, we obtained new marketing authorisations for two single-pill cardiovascular agents, **Co-Valodip** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets and **Valarox** (valsartan/rosuvastatin) film-coated tablets.

In Azerbaijan, another strength of our antidepressant **Duloxenta** (duloxetine) gastro-resistant tablets, an analgesic **Naklofen Duo** (diclofenac) gastro-resistant capsules, and a cardiovascular agent **Amiokordin** (amiodarone) solution for injection were authorised.

In Armenia, we obtained marketing authorisations for **Torendo** (risperidone) film-coated tablets and **Zalasta** (olanzapine) tablets, both from the range for the treatment of diseases of the central nervous system.

In Mongolia, we obtained a marketing authorisation for our cardiovascular agent **Lortenza** (losartan/amlodipine) film-coated tablets. We were granted marketing authorisations for our medicine for the treatment of erectile dysfunction **Vizarsin** (sildenafil) film-coated tablets and orodispersible tablets in Kyrgyzstan, and our analgesic **Nalgesin** (naproxen) film-coated tablets in Uzbekistan.

In Kazakhstan, we were granted marketing authorisations for our cardiovascular agent **Co-Valodip** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets.

Single-pill combinations **Lortenza** (losartan/amlodipine) film-coated tablets and **Co-Amlessa** (perindopril/amlodipine/indapamide) tablets were granted marketing authorisations in Tajikistan.

## Non-Prescription Products

We renewed the formulation of our established product **B-Complex** (thiamine/riboflavin/pyridoxine/cyanocobalamin/calcium pantothenate/nicotinamide) film-coated tablets. In Slovenia, it was authorised as a medicinal product and is the only approved product with this combination of group B vitamins. It is indicated for prevention and treatment of hypovitaminosis B, avitaminosis B, increased body demand, malabsorption, and various other severe forms of vitamin B deficiency. It is given to patients

In the markets of Region South-East Europe, we closed the regulatory procedures for our products from various therapeutic classes. In Serbia, our cardiovascular agent **Valtricom** (amlodipine/valsartan/hydrochlorothiazide) film-coated tablets and an antidiabetic agent **Glypvilo** (vildagliptin) tablets, and **Zulbex** (rabeprazole) gastro-resistant tablets for the treatment of certain stomach problems were granted marketing authorisations.

In North Macedonia, another strength of **Helex** (alprazolam) tablets, our agent for the central nervous system, was authorised. In Bosnia and Herzegovina, we concluded the registration procedure for **Calmesan Forte** (doxylamine) film-coated tablets indicated for the treatment of insomnia.

In Montenegro, we were granted marketing authorisations for our single-pill cardiovascular agent **Wamlox** (amlodipine/valsartan) film-coated tablets; an anti-inflammatory agent **Etoxib** (etoricoxib) film-coated tablets; an oncology pharmaceutical **Meaxin** (imatinib) film-coated tablets; and an analgesic **Tramadol Krka** (tramadol) hard capsules. Our medicine **Dutrys** (dutasteride) soft capsules indicated for the symptoms of an enlarged prostate was authorised in Kosovo.

We continued expanding our presence in the countries of Region Overseas Markets and some established Krka medicinal products were authorised there. They included cardiovascular agents **Roswera** (rosuvastatin) film-coated tablets, **simvastatin** film-coated tablets, and **amlodipine** tablets. We were also granted marketing authorisations for agents from other therapeutic classes, **ropinirole** prolonged-release tablets; **Etoxib** (etoricoxib) film-coated tablets, **Aclexa** (celecoxib) hard capsules, **paliperidone** prolonged-release tablets, **montelukast** film-coated tablets, and **Yasnal** (donepezil) orodispersible tablets among them.

suffering from neuralgia and is indicated as supportive therapy for cancer patients. It was also granted a marketing authorisation in Bosnia and Herzegovina.

We expanded market opportunities for the Herbion brand products, and obtained marketing authorisations for **Herbion Ivy** (ivy leaf dry extract) lozenges in Serbia, North Macedonia, Bosnia and

Herzegovina, and Kosovo. We also ensured the proper base for timely product launching.

In Region Overseas Markets, we expanded marketing opportunities by obtaining marketing

### Animal Health Products

We expanded marketing opportunities for our key animal health product brands in the first half of 2020.

In the Russian Federation, we obtained marketing authorisations for **Doxatib** (doxycycline) 500 mg/g oral powder for the treatment of infections of the respiratory tract in pigs and chicken.

In Bosnia and Herzegovina, we were granted marketing authorisations for **Tuloxin** (tulathromycin) 100 mg/ml solution for injection indicated for bacterial infections of the respiratory tract in cattle and pigs and infectious pododermatitis (foot rot) in sheep.

### Investments

In the first half of 2020, the Krka Group allocated €31.3 million to investments, of that €20.7 million to the controlling company. We primarily invested in development capacities, manufacturing upgrades, quality assurance, and our own production-and-distribution centres across the globe.

Our investments in the first half of 2020 lagged behind the plan due to the coronavirus pandemic impact on construction industry. We attempt to fulfil the investment plan to the greatest extent possible by the end of the year.

We built a multipurpose warehouse at our central site in Ločna, Novo mesto, to provide for extra storage room for incoming materials and finished products. This improved production speed and flexibility, product availability, and market supply. At the beginning of 2020, JAZMP (Agency for Medicinal Products and Medical Devices of the Republic of Slovenia) granted us an operating permit, so all requirements for the facility start-up were met. The investment was worth slightly more than €34 million.

Notol 2, the state-of-the-art facility for manufacturing solid dosage forms, is also in Ločna, Novo mesto. The growing need for extra production capacities has incited us to acquire additional technological equipment. We started equipping a new packaging

authorisations for **Septolete Total** honey-and-lemon flavoured lozenges; **Duovit** film-coated tablets; and **Pikovit** film-coated tablets.

We obtained marketing authorisations for **Otoxolan** (marbofloxacin/clotrimazole/dexamethasone) suspension, ear drops for dogs. The medicine is indicated for treating bacterial or fungal otitis externa in dogs.

In Kazakhstan, Bosnia and Herzegovina, and North Macedonia, **Catobevit** (butafosfan/cyanocobalamin) solution for injection was authorised. It is indicated as supportive therapy for various metabolic or reproductive disorders in cattle, horses, dogs, and cats.

facility in 2019, and this year we continue setting it up. The investment was estimated at €41 million. When technologically equipped, its full manufacturing capacity will reach 5 billion tablets and 8 billion packs per year.

The high-capacity packaging line purchased for the Ljutomer production plant will allow for increased packaging output of lozenges and tablets. The investment was estimated at €4.4 million.

In Krško, construction of a new warehouse for raw materials started in June 2019. The investment will ensure sufficient warehousing capacities for raw materials used in chemical and pharmaceutical production. Storage will be arranged in compliance with the guidelines of the *Technical Rules for Hazardous Substances* (TRGS). Construction of the €8.2-million building has been completed. In June, we examined the building, and currently the procurement of equipment is in progress.

Controlling company has been making low investments into refurbishment of the Notol plant, the OTO solid dosage form production plant, and the Beta Department. Upgrading of systems and devices was valued at €5.5 million.

The Krka-Rus plant in the industrial zone of Istra in the north-western part of Moscow is one of the key investments in Krka subsidiaries. The Krka-Rus plant manufactures 80% of products intended for the Russian market, giving us the status of a domestic producer in the Russian Federation. In the next few years, we plan to increase production and laboratory capacities. The investment was estimated at €33 million.

At the end of 2017, we established a joint venture Ningbo Krka Menovo with a local partner Menovo in

the city of Ningbo, China. We obtained an EU GMP certificate for the production rooms taken on long-term lease. Commercial manufacture of the first product intended for markets outside China started at the end of 2018, when we also filed all marketing authorisation documents required for its sales in the Chinese market. In 2019, we further equipped the rooms with manufacturing and control equipment and started manufacturing several products for markets outside China. The procurement of equipment continues in 2020.

## Employees

When the first half of 2020 ended, the Krka Group had 11,658 employees on payroll, of that 5,579 abroad, accounting for just short of 48% of the total Krka Group headcount. The Krka Group employees

with at least university-level qualifications constituted 52% and included 203 employees holding doctoral degrees. Together with the agency workers, the Krka Group employed 12,751 people.

### Educational Structure of the Krka Group

	30 June 2020		31 December 2019	
	Number of employees	Share (%)	Number of employees	Share (%)
PhD	203	1.7	198	1.7
Master of science	390	3.3	388	3.3
University degree	5,440	46.7	5,518	47.2
Higher professional education	1,708	14.7	1,700	14.5
Vocational college education	299	2.6	290	2.5
Secondary school education	2,559	21.9	2,497	21.3
Other	1,059	9.1	1,105	9.5
<b>Krka Group</b>	<b>11,658</b>	<b>100.0</b>	<b>11,696</b>	<b>100.0</b>

We provide continuous recruitment of talented employees by awarding scholarships. At the end of June, we listed 111 scholarship holders, primarily pharmacy and chemistry students. We also grant scholarships to students from Krka's other fields of interest. This year, 25 new scholarships were granted. Due to our staff development and succession planning system, we can greatly meet our human resource needs for key professionals and managers within the Krka Group.

We also invest in knowledge and development of our employees. In Slovenia and abroad, they undergo further professional training, and attend training

courses on quality, management, informatics, personal growth, and foreign languages. We arrange most training courses in-house and adjust them to the needs of our employees, technological processes, market situations, and development needs of the Krka Group. We constantly update learning options and introduce new forms adjusted to the contemporary approaches to work.

At the end of June, 146 employees were enrolled in part-time graduate studies co-funded by Krka, 46 of them in postgraduate studies.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KRKA GROUP WITH NOTES

### Consolidated Statement of Financial Position of the Krka Group

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Assets</b>			
Property, plant and equipment	826,635	862,848	96
Intangible assets	107,098	109,082	98
Loans	11,243	10,908	103
Investments	9,247	9,681	96
Deferred tax assets	52,645	48,825	108
Other non-current assets	490	489	100
<b>Total non-current assets</b>	<b>1,007,358</b>	<b>1,041,833</b>	<b>97</b>
Assets held for sale	41	41	100
Inventories	454,449	421,578	108
Contract assets	498	1,874	27
Trade receivables	408,359	434,695	94
Other receivables	33,475	31,924	105
Loans	49,677	31,832	156
Investments	0	2,174	0
Cash and cash equivalents	358,336	218,667	164
<b>Total current assets</b>	<b>1,304,835</b>	<b>1,142,785</b>	<b>114</b>
<b>Total assets</b>	<b>2,312,193</b>	<b>2,184,618</b>	<b>106</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-89,861	-73,774	122
Reserves	122,633	129,871	94
Retained earnings	1,698,633	1,553,489	109
<b>Total equity holders of the controlling company</b>	<b>1,786,137</b>	<b>1,664,318</b>	<b>107</b>
Non-controlling interests	2,204	3,198	69
<b>Total equity</b>	<b>1,788,341</b>	<b>1,667,516</b>	<b>107</b>
<b>Liabilities</b>			
Provisions	122,443	120,403	102
Deferred revenue	8,294	8,709	95
Trade payables	10,006	10,000	100
Lease liabilities	9,265	10,201	91
Deferred tax liabilities	11,339	11,592	98
<b>Total non-current liabilities</b>	<b>161,347</b>	<b>160,905</b>	<b>100</b>
Trade payables	115,356	128,574	90
Borrowings	0	3	0
Lease liabilities	2,590	2,799	93
Income tax payable	15,483	18,824	82
Contract liabilities	124,909	123,312	101
Other current liabilities	104,167	82,685	126
<b>Total current liabilities</b>	<b>362,505</b>	<b>356,197</b>	<b>102</b>
<b>Total liabilities</b>	<b>523,852</b>	<b>517,102</b>	<b>101</b>
<b>Total equity and liabilities</b>	<b>2,312,193</b>	<b>2,184,618</b>	<b>106</b>

## Consolidated Income Statement of the Krka Group

€ thousand	Jan–June 2020	Jan–June 2019	Index
<b>Revenue:</b>	<b>803,753</b>	<b>761,331</b>	<b>106</b>
– Revenue from contracts with customers	802,406	759,532	106
– Other revenue	1,347	1,799	75
Cost of goods sold	-320,824	-327,566	98
<b>Gross profit</b>	<b>482,929</b>	<b>433,765</b>	<b>111</b>
Other operating income	6,440	6,087	106
Selling and distribution expenses	-155,939	-170,182	92
– Of that net impairment and write-down of receivables	-4	-468	
R&D expenses	-73,846	-74,515	99
General and administrative expenses	-42,896	-40,618	106
<b>Operating profit</b>	<b>216,688</b>	<b>154,537</b>	<b>140</b>
Financial income	11,960	18,582	64
Financial expenses	-38,373	-9,205	417
<b>Net financial result</b>	<b>-26,413</b>	<b>9,377</b>	
<b>Profit before tax</b>	<b>190,275</b>	<b>163,914</b>	<b>116</b>
Income tax	-30,015	-24,005	125
<b>Net profit</b>	<b>160,260</b>	<b>139,909</b>	<b>115</b>
<b>Attributable to:</b>			
– Equity holders of the controlling company	161,124	140,132	115
– Non-controlling interests	-864	-223	387
<b>Basic earnings per share* (€)</b>	<b>5.12</b>	<b>4.46</b>	<b>115</b>
<b>Diluted earnings per share** (€)</b>	<b>5.12</b>	<b>4.46</b>	<b>115</b>

\* Net profit for the period/Average number of shares issued in the period, excluding treasury shares

\*\* All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio equalled basic earnings per share.

## Consolidated Statement of Other Comprehensive Income of the Krka Group

€ thousand	Jan–June 2020	Jan–June 2019	Index
<b>Net profit</b>	<b>160,260</b>	<b>139,909</b>	<b>115</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income for the period reclassified to profit or loss at a future date</b>			
Translation reserve	-22,989	15,467	
<b>Net other comprehensive income for the period reclassified to profit or loss at a future date</b>	<b>-22,989</b>	<b>15,467</b>	
<b>Other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>			
Change in fair value of available-for-sale financial assets	-434	-76	571
Restatement of post-employment benefits	-3	0	
Deferred tax effect	82	14	586
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>-355</b>	<b>-62</b>	<b>573</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-23,344</b>	<b>15,405</b>	
<b>Total comprehensive income for the period (net of tax)</b>	<b>136,916</b>	<b>155,314</b>	<b>88</b>
Attributable to:			
– Equity holders of the controlling company	137,801	155,521	89
– Non-controlling interests	-885	-206	430

## Consolidated Statement of Changes in Equity of the Krka Group

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>At 1 Jan 2020</b>	54,732	-73,774	73,774	105,897	14,990	30,000	-26,925	-67,865	1,211,292	118,350	223,847	1,664,318	3,198	1,667,516
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	0	161,124	161,124	-864	160,260
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-357	-22,968	0	2	0	-23,323	-21	-23,344
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-357	-22,968	0	2	161,124	137,801	-885	136,916
<b>Transactions with owners, recognised in equity</b>														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	223,847	-223,847	0	0	0
Acquisition of a stake in GRS	0	0	0	0	0	0	0	0	0	105	0	105	-109	-4
Repurchase of treasury shares	0	-16,087	0	0	0	0	0	0	0	0	0	-16,087	0	-16,087
Formation of reserves for treasury shares	0	0	16,087	0	0	0	0	0	0	0	-16,087	0	0	0
<b>Total transactions with owners, recognised in equity</b>	0	-16,087	16,087	0	0	0	0	0	0	223,952	-239,934	-15,982	-109	-16,091
<b>At 30 June 2020</b>	54,732	-89,861	89,861	105,897	14,990	30,000	-27,282	-90,833	1,211,292	342,304	145,037	1,786,137	2,204	1,788,341

€ thousand	Share capital	Treasury shares	Reserves						Retained earnings			Total equity holders of the controlling company	Non-controlling interests	Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Translation reserve	Other profit reserves	Retained earnings	Profit for the period			
<b>At 1 Jan 2019</b>	<b>54,732</b>	<b>-52,076</b>	<b>52,076</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-11,918</b>	<b>-86,983</b>	<b>1,167,388</b>	<b>100,332</b>	<b>163,097</b>	<b>1,537,535</b>	<b>2,735</b>	<b>1,540,270</b>
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140,132</b>	<b>140,132</b>	<b>-223</b>	<b>139,909</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62</b>	<b>15,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,389</b>	<b>17</b>	<b>15,406</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62</b>	<b>15,451</b>	<b>0</b>	<b>0</b>	<b>140,132</b>	<b>155,521</b>	<b>-206</b>	<b>155,315</b>
<b>Transactions with owners, recognised in equity</b>														
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	0	163,097	-163,097	0	0	0
Repurchase of treasury shares	0	-7,841	0	0	0	0	0	0	0	0	0	-7,841	0	-7,841
Formation of reserves for treasury shares	0	0	7,841	0	0	0	0	0	0	0	-7,841	0	0	0
<b>Total transactions with owners, recognised in equity</b>	<b>0</b>	<b>-7,841</b>	<b>7,841</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163,097</b>	<b>-170,938</b>	<b>-7,841</b>	<b>0</b>	<b>-7,841</b>
<b>At 30 June 2019</b>	<b>54,732</b>	<b>-59,917</b>	<b>59,917</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-11,980</b>	<b>-71,532</b>	<b>1,167,388</b>	<b>263,429</b>	<b>132,291</b>	<b>1,685,215</b>	<b>2,529</b>	<b>1,687,744</b>

## Consolidated Statement of Cash Flows of the Krka Group

€ thousand	Jan–June 2020	Jan–June 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>160,260</b>	<b>139,909</b>
<b>Adjustments for:</b>	<b>71,304</b>	<b>94,427</b>
– Amortisation/Depreciation	56,237	55,151
– Foreign exchange differences	9,918	6,937
– Investment income	-12,262	-1,528
– Investment expenses	6,342	8,275
– Financial income	-65	-13
– Interest expense and other financial expenses	955	1,600
– Income tax	30,015	24,005
<b>Operating profit before changes in net current assets</b>	<b>231,564</b>	<b>234,336</b>
Change in trade receivables	27,060	-41,750
Change in inventories	-32,871	-14,833
Change in trade payables	1,019	1,223
Change in provisions	1,320	794
Change in deferred revenue	-415	-547
Change in other current liabilities	18,915	15,058
Income tax paid	-38,592	-16,558
<b>Net cash from operating activities</b>	<b>208,000</b>	<b>177,723</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	257	319
Dividends received	0	299
Proceeds from sale of property, plant and equipment	1,079	1,086
Purchase of intangible assets	-1,560	-1,411
Purchase of property, plant and equipment	-41,882	-47,749
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-4	0
Non-current loans	-1,264	-1,255
Proceeds from repayment of non-current loans	952	1,044
Payments for non-current investments	-31	-24
Proceeds from sale of non-current investments	28	22
Payments for current investments and loans	-15,710	-7,114
Payments for derivatives	-3,418	0
Proceeds from derivatives	11,642	0
<b>Net cash from investing activities</b>	<b>-49,911</b>	<b>-54,783</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-88	-220
Payments for current borrowings	-1,523	-1,492
Lease liabilities paid	-3	0
Proceeds from/Payments for dividends and other profit shares	0	-2
Repurchase of treasury shares	-16,087	-7,841
<b>Net cash from financing activities</b>	<b>-17,701</b>	<b>-9,555</b>
<b>Net increase in cash and cash equivalents</b>	<b>140,388</b>	<b>113,385</b>
Cash and cash equivalents at the beginning of the period	218,667	117,801
Effect of foreign exchange rate fluctuations on cash held	-719	-1,203
<b>Cash and cash equivalents at the end of the period</b>	<b>358,336</b>	<b>229,983</b>

## Segment Reporting of the Krka Group

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Eliminations		Total	
	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019
<b>Revenue from external customers:</b>	<b>453,216</b>	<b>429,829</b>	<b>43,245</b>	<b>39,944</b>	<b>271,739</b>	<b>251,578</b>	<b>35,553</b>	<b>39,980</b>	<b>0</b>	<b>0</b>	<b>803,753</b>	<b>761,331</b>
– Revenue from contracts with customers	451,944	428,286	43,245	39,944	271,696	251,531	35,521	39,771	0	0	802,406	759,532
– Other revenue	1,272	1,543	0	0	43	47	32	209	0	0	1,347	1,799
<b>Sales between Group companies</b>	<b>143,543</b>	<b>117,426</b>	<b>25,064</b>	<b>23,357</b>	<b>175,205</b>	<b>115,814</b>	<b>1,510</b>	<b>909</b>	<b>-345,322</b>	<b>-257,506</b>	<b>0</b>	<b>0</b>
Other operating income	4,662	4,895	26	9	1,752	1,183	0	0	0	0	6,440	6,087
Operating costs	-358,267	-357,114	-26,506	-27,794	-183,379	-198,609	-25,353	-29,364	0	0	-593,505	-612,881
Operating expenses to Group companies	-198,631	-187,015	-26,531	-25,376	-326,145	-261,421	-5,782	-2,181	557,089	475,993	0	0
<b>Operating profit</b>	<b>99,611</b>	<b>77,610</b>	<b>16,765</b>	<b>12,159</b>	<b>90,112</b>	<b>54,152</b>	<b>10,200</b>	<b>10,616</b>	<b>0</b>	<b>0</b>	<b>216,688</b>	<b>154,537</b>
Interest income	83	159	0	0	157	158	17	3	0	0	257	320
Interest income from Group companies	253	224	0	0	3	2	4	4	-260	-230	0	0
Interest expense	-80	-236	-8	-22	-78	-213	-2	-16	0	0	-168	-487
Interest expense to Group companies	-158	-151	0	0	-6	-43	-1	-2	165	196	0	0
<b>Net financial result</b>	<b>-6,123</b>	<b>-680</b>	<b>346</b>	<b>-245</b>	<b>-20,199</b>	<b>11,793</b>	<b>-437</b>	<b>-1,491</b>	<b>0</b>	<b>0</b>	<b>-26,413</b>	<b>9,377</b>
Income tax	-14,179	-12,127	-2,258	-1,602	-12,290	-9,180	-1,288	-1,096	0	0	-30,015	-24,005
<b>Net profit</b>	<b>79,309</b>	<b>64,803</b>	<b>14,853</b>	<b>10,312</b>	<b>57,623</b>	<b>56,765</b>	<b>8,475</b>	<b>8,029</b>	<b>0</b>	<b>0</b>	<b>160,260</b>	<b>139,909</b>
Investments	24,131	45,756	99	149	4,073	4,331	2,967	2,356	0	0	31,270	52,592
Depreciation	36,592	35,561	1,021	1,039	12,915	13,197	834	565	0	0	51,362	50,362
Depreciation of right-of-use assets	1,005	921	54	44	308	287	58	49	-6	-8	1,419	1,293
Amortisation	2,164	2,141	153	160	1,021	1,046	118	149	0	0	3,456	3,496
	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>1,800,545</b>	<b>1,649,671</b>	<b>53,343</b>	<b>47,494</b>	<b>422,029</b>	<b>451,371</b>	<b>36,276</b>	<b>36,082</b>	<b>0</b>	<b>0</b>	<b>2,312,193</b>	<b>2,184,618</b>
Goodwill	42,644	42,644	0	0	0	0	0	0	0	0	42,644	42,644
Trademark	36,223	36,659	0	0	0	0	0	0	0	0	36,223	36,659
<b>Total liabilities</b>	<b>359,758</b>	<b>358,417</b>	<b>14,335</b>	<b>13,685</b>	<b>115,570</b>	<b>116,143</b>	<b>34,189</b>	<b>28,857</b>	<b>0</b>	<b>0</b>	<b>523,852</b>	<b>517,102</b>

## Notes to Consolidated Financial Statements of the Krka Group

### Costs by nature

€593,505 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Cost of goods and material	227,881	212,604	107
Cost of services	111,491	127,687	87
Employee benefits	214,965	205,562	105
Amortisation and depreciation	56,237	55,151	102
Inventory write-offs and allowances	10,307	8,843	117
Receivable impairments and write-offs (net)	-4	-468	1
Other operating expenses	18,569	18,982	98
<b>Total costs</b>	<b>639,446</b>	<b>628,361</b>	<b>102</b>
Change in the value of inventories of finished products and work in progress	-45,941	-15,480	297
<b>Total</b>	<b>593,505</b>	<b>612,881</b>	<b>97</b>

### Employee benefits

€214,965 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Gross wages and salaries and continued pay	164,948	158,757	104
Social security contributions	13,175	12,968	102
Pension insurance contributions	21,517	20,890	103
Payroll tax	449	508	88
Post-employment benefits and other non-current employee benefits	3,302	2,563	129
Other employee benefit costs	11,574	9,876	117
<b>Total employee benefit costs</b>	<b>214,965</b>	<b>205,562</b>	<b>105</b>

### Other operating expenses

€18,569 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Grants and assistance for humanitarian and other purposes	476	743	64
Environmental protection expenditure	2,530	2,161	117
Other taxes and levies	12,894	13,007	99
Loss on sale of property, plant and equipment and intangible assets	778	698	111
Other operating expenses	1,891	2,373	80
<b>Total other operating expenses</b>	<b>18,569</b>	<b>18,982</b>	<b>98</b>

Other taxes and levies included taxes (claw-back and similar) recently imposed in certain markets where the Krka Group operates.

## Financial income and expenses

€ thousand	Jan–June 2020	Jan–June 2019	Index
Net foreign exchange differences	0	17,951	0
Interest income	257	320	80
Derivatives income	11,642	0	
– Realised revenue	11,642	0	
Income from dividends and other profit shares	0	299	0
Other financial income	61	12	508
<b>Total financial income</b>	<b>11,960</b>	<b>18,582</b>	<b>64</b>
Net foreign exchange differences	–31,348	0	
Interest expense	–168	–487	34
– Interest paid	–18	–110	16
– Interest expense on lease liabilities	–150	–377	40
Derivative expenses	–6,052	–7,577	80
– Incurred expenses	–3,418	0	
– Fair value change	–2,634	–7,577	35
Other financial expenses	–805	–1,141	71
<b>Total financial expenses</b>	<b>–38,373</b>	<b>–9,205</b>	<b>417</b>
<b>Net financial result</b>	<b>–26,413</b>	<b>9,377</b>	

### Income tax

€30,015 thousand

Current income tax amounted to €34,378 thousand or 18.1% of profit before tax. Taking into account deferred tax of –€4,363 thousand, tax totalling

€30,015 thousand was expensed in the income statement. The effective tax rate was 15.8%.

### Property, plant and equipment

€826,635 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Land	40,281	39,796	101
Buildings	386,437	402,275	96
Equipment	349,273	361,743	97
Property, plant and equipment being acquired	34,990	43,113	81
Advances for property, plant and equipment	4,025	3,082	131
Right-of-use assets	11,629	12,839	91
<b>Total property, plant and equipment</b>	<b>826,635</b>	<b>862,848</b>	<b>96</b>

Value of property, plant, and equipment accounted for 36% of the Krka Group balance sheet total. See section 'Investments' in the business report for details on major investments of Krka.

## Intangible assets

€107,098 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Goodwill	42,644	42,644	100
Trademark	36,223	36,659	99
Concessions, trademarks and licences	23,861	25,683	93
Intangible assets being acquired	4,370	4,096	107
<b>Total intangible assets</b>	<b>107,098</b>	<b>109,082</b>	<b>98</b>

## Loans

€60,920 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current loans</b>	<b>11,243</b>	<b>10,908</b>	<b>103</b>
– Loans to others	11,243	10,908	103
<b>Current loans</b>	<b>49,677</b>	<b>31,832</b>	<b>156</b>
– Portion of non-current loans maturing next year	1,529	1,669	92
– Loans to others	48,148	30,163	160
<b>Total loans</b>	<b>60,920</b>	<b>42,740</b>	<b>143</b>

Non-current loans constituted 18% of total loans.

Non-current loans to others included loans which the Krka Group extends to its employees in accordance with its internal acts, primarily for the purchase or renovation of housing facilities.

Current loans to others included bank deposits of the controlling company totalling €47,995 thousand with maturity exceeding 90 days.

## Investments

€9,247 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current investments</b>	<b>9,247</b>	<b>9,681</b>	<b>96</b>
Financial assets at fair value through OCI (equity instruments)	9,247	9,681	96
<b>Current investments including derivatives</b>	<b>0</b>	<b>2,174</b>	<b>0</b>
– Financial assets at fair value through profit or loss	0	2,174	0
<b>Total investments</b>	<b>9,247</b>	<b>11,855</b>	<b>78</b>

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling

€789 thousand and shares and interests in companies abroad totalling €8,458 thousand.

## Inventories

€454,449 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Material	178,917	188,018	95
Work in progress	106,708	97,371	110
Finished products	153,311	122,206	125
Goods	11,523	9,640	120
Advances for inventories	3,990	4,343	92
<b>Total inventories</b>	<b>454,449</b>	<b>421,578</b>	<b>108</b>

## Trade and other receivables

€441,834 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Current trade receivables	408,359	434,695	94
– Trade receivables	409,924	434,991	94
– Deferred revenue from contracts with customers	-1,565	-296	529
Other current receivables	33,475	31,924	105
<b>Total receivables</b>	<b>441,834</b>	<b>466,619</b>	<b>95</b>

## Cash and cash equivalents

€358,336 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Cash in hand	70	56	125
Bank balances	358,266	218,611	164
<b>Total cash and cash equivalents</b>	<b>358,336</b>	<b>218,667</b>	<b>164</b>

## Equity

€1,788,341 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-89,861	-73,774	122
Reserves	122,633	129,871	94
– Reserves for treasury shares	89,861	73,774	122
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-27,282	-26,925	101
– Translation reserve	-90,833	-67,865	134
Retained earnings	1,698,633	1,553,489	109
<b>Total equity holders of the controlling company</b>	<b>1,786,137</b>	<b>1,664,318</b>	<b>107</b>
Non-controlling interests	2,204	3,198	69
<b>Total equity</b>	<b>1,788,341</b>	<b>1,667,516</b>	<b>107</b>

## Trade payables

€125,362 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current trade payables</b>	<b>10,006</b>	<b>10,000</b>	<b>100</b>
<b>Current trade payables</b>	<b>115,356</b>	<b>128,574</b>	<b>90</b>
Payables to domestic suppliers	41,456	45,633	91
Payables to foreign suppliers	73,900	82,941	89
<b>Total trade payables</b>	<b>125,362</b>	<b>138,574</b>	<b>90</b>

The majority of non-current trade payables included liabilities to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the Treaty on the Functioning of the European Union, which resulted in a distortion of competition on the perindopril market of the European Union. Thus, it imposed on Krka a fine of €10,000 thousand. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union because it considered that its

conduct did not violate the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not yet final, as the Commission lodged an appeal against the decision of the General Court, which will be decided by the European Court of Justice. Although the Commission did indeed pay back a fine of €10,000 thousand in early 2019, based on the assessment of legal experts, Krka deferred the revenue and recognised non-current trade liabilities in that same amount until the final decision of the Court is issued.

## Provisions

€122,443 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Provisions for lawsuits	2,114	2,114	100
Provisions for post-employment benefits and other non-current employee benefits	117,671	115,889	102
Other provisions	2,658	2,400	111
<b>Total provisions</b>	<b>122,443</b>	<b>120,403</b>	<b>102</b>

## Deferred revenue

€8,294 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,450	1,584	92
Grants received from the budget for the Dolenjske and Šmarješke Toplice health resorts and Golf Grad Otočec	3,454	3,517	98
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	29	57	51
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	1	1	100
Grants received from the European Regional Development Fund for the Slovenian economy development centres	3,246	3,532	92
Subsidy	101	5	2,020
Property, plant and equipment received free of charge	13	13	100
<b>Total deferred revenue</b>	<b>8,294</b>	<b>8,709</b>	<b>95</b>

The Slovenian economy development centres and FBD projects are partly funded by the European Union from the European Regional Development Fund. The projects are carried out within the *Operational Programme for Strengthening Regional*

*Development Potentials for Period 2007–2013; Priority Axis 1: Competitiveness and Research Excellence*, main type of activity 1.1: Improvement of competitive capabilities of enterprises and research excellence.

### Current contract liabilities

€124,909 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Refund liabilities</b>	<b>121,516</b>	<b>117,456</b>	<b>103</b>
– Bonuses and volume rebates	120,680	114,411	105
– Right of return	836	3,045	27
<b>Contract liabilities</b>	<b>3,393</b>	<b>5,856</b>	<b>58</b>
– Contract liabilities – advances from other customers	3,393	5,856	58
<b>Total current contract liabilities</b>	<b>124,909</b>	<b>123,312</b>	<b>101</b>

### Other current liabilities

€104,167 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	59,383	59,150	100
Derivatives	5,215	2,582	202
Other	39,569	20,953	189
<b>Total other current liabilities</b>	<b>104,167</b>	<b>82,685</b>	<b>126</b>

### Contingent liabilities

€16,521 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Guarantees issued	15,901	15,934	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>16,521</b>	<b>16,554</b>	<b>100</b>

## Fair value

€ thousand	30 June 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current loans	11,243	11,243	10,908	10,908
Financial assets at fair value through OCI (equity instruments)	9,247	9,247	9,681	9,681
Current loans	49,677	49,677	31,832	31,832
Current investments	0	0	2,174	2,174
– Financial assets at fair value through profit or loss	0	0	2,174	2,174
Trade receivables	408,359	408,359	434,695	434,695
Cash and cash equivalents	358,336	358,336	218,667	218,667
Current borrowings	0	0	-3	-3
Non-current trade payables	-10,006	-10,006	-10,000	-10,000
Lease liabilities	-11,855	-11,855	-13,000	-13,000
Current payables to suppliers excluding advances	-115,231	-115,231	-128,560	-128,560
Current contract liabilities excluding advances	-120,680	-120,680	-114,411	-114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	-29,538	-29,538	-14,421	-14,421
Other current liabilities	-5,215	-5,215	-2,582	-2,582
– Derivatives	-5,215	-5,215	-2,582	-2,582
<b>Total</b>	<b>544,337</b>	<b>544,337</b>	<b>424,980</b>	<b>424,980</b>

In terms of fair value, assets and liabilities are classified into three levels:

- Level 1 – Assets at market price;
- Level 2 – Assets not classified within level 1 and the value of which is determined directly or indirectly based on comparable market data;
- Level 3 – Assets the value of which cannot be determined using market data.

## Assets at fair value

€ thousand	30 June 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Financial assets at fair value through OCI (equity instruments)	7,859	0	1,388	9,247	8,294	0	1,387	9,681
Financial assets at fair value through profit or loss	0	0	0	0	2,174	0	0	2,174
<b>Total assets at fair value</b>	<b>7,859</b>	<b>0</b>	<b>1,388</b>	<b>9,247</b>	<b>10,468</b>	<b>0</b>	<b>1,387</b>	<b>11,855</b>
<b>Assets for which fair value is disclosed</b>								
Non-current loans	0	0	11,243	11,243	0	0	10,908	10,908
Current loans	0	0	49,677	49,677	0	0	31,832	31,832
Trade receivables	0	0	408,359	408,359	0	0	434,695	434,695
Cash and cash equivalents	0	0	358,336	358,336	0	0	218,667	218,667
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>827,615</b>	<b>827,615</b>	<b>0</b>	<b>0</b>	<b>696,102</b>	<b>696,102</b>
<b>Total</b>	<b>7,859</b>	<b>0</b>	<b>829,003</b>	<b>836,862</b>	<b>10,468</b>	<b>0</b>	<b>697,489</b>	<b>707,957</b>

## Liabilities at fair value

€ thousand	30 June 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivatives	0	0	5,215	5,215	0	0	2,582	2,582
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>5,215</b>	<b>5,215</b>	<b>0</b>	<b>0</b>	<b>2,582</b>	<b>2,582</b>
<b>Liabilities for which fair value is disclosed</b>								
Non-current trade payables	0	0	10,006	10,006	0	0	10,000	10,000
Lease liabilities	0	0	11,855	11,855	0	0	13,000	13,000
Current payables to suppliers excluding advances	0	0	115,231	115,231	0	0	128,560	128,560
Current contract liabilities excluding advances	0	0	120,680	120,680	0	0	114,411	114,411
Other current liabilities excluding amounts owed to the state, to employees, and advances	0	0	29,538	29,538	0	0	14,421	14,421
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>287,310</b>	<b>287,310</b>	<b>0</b>	<b>0</b>	<b>280,395</b>	<b>280,395</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>292,525</b>	<b>292,525</b>	<b>0</b>	<b>0</b>	<b>282,977</b>	<b>282,977</b>

## CONDENSED FINANCIAL STATEMENTS OF KRKA, D. D., NOVO MESTO WITH NOTES

### Statement of Financial Position of Krka, d. d., Novo mesto

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Assets</b>			
Property, plant and equipment	593,286	613,210	97
Intangible assets	27,036	28,410	95
Investments in subsidiaries	329,339	329,335	100
Trade receivables due from subsidiaries	60,794	39,491	154
Loans	36,145	36,223	100
Investments	9,246	9,680	96
Deferred tax assets	13,369	13,187	101
Other non-current assets	80	80	100
<b>Total non-current assets</b>	<b>1,069,295</b>	<b>1,069,616</b>	<b>100</b>
Assets held for sale	41	41	100
Inventories	384,146	367,007	105
Contract assets	0	565	0
Trade receivables	418,918	443,840	94
Other receivables	16,435	18,011	91
Loans	56,116	35,644	157
Cash and cash equivalents	331,916	195,236	170
<b>Total current assets</b>	<b>1,207,572</b>	<b>1,060,344</b>	<b>114</b>
<b>Total assets</b>	<b>2,276,867</b>	<b>2,129,960</b>	<b>107</b>
<b>Equity</b>			
Share capital	54,732	54,732	100
Treasury shares	-89,861	-73,774	122
Reserves	216,792	201,057	108
Retained earnings	1,621,588	1,482,163	109
<b>Total equity</b>	<b>1,803,251</b>	<b>1,664,178</b>	<b>108</b>
<b>Liabilities</b>			
Provisions	107,720	105,677	102
Deferred revenue	1,590	1,659	96
Trade payables	10,000	10,000	100
Lease liabilities	2,202	2,453	90
<b>Total non-current liabilities</b>	<b>121,512</b>	<b>119,789</b>	<b>101</b>
Trade payables	160,563	182,423	88
Borrowings	88,023	73,033	121
Lease liabilities	607	640	95
Income tax payable	13,784	16,668	83
Contract liabilities	12,699	14,609	87
Other current liabilities	76,428	58,620	130
<b>Total current liabilities</b>	<b>352,104</b>	<b>345,993</b>	<b>102</b>
<b>Total liabilities</b>	<b>473,616</b>	<b>465,782</b>	<b>102</b>
<b>Total equity and liabilities</b>	<b>2,276,867</b>	<b>2,129,960</b>	<b>107</b>

## Income Statement of Krka, d. d., Novo mesto

€ thousand	Jan–June 2020	Jan–June 2019	Index
<b>Revenue:</b>	<b>783,100</b>	<b>673,022</b>	<b>116</b>
– Revenue from contracts with customers	780,226	669,694	117
– Other revenue	2,874	3,328	86
Cost of goods sold	-334,824	-289,648	116
<b>Gross profit</b>	<b>448,276</b>	<b>383,374</b>	<b>117</b>
Other operating income	1,766	2,414	73
Selling and distribution expenses	-130,412	-149,383	87
– Of that net impairment and write-off of receivables	-169	-350	48
R&D expenses	-74,260	-77,131	96
General and administrative expenses	-36,807	-33,911	109
<b>Operating profit</b>	<b>208,563</b>	<b>125,363</b>	<b>166</b>
Financial income	11,875	20,016	59
Financial expenses	-36,791	-9,000	409
<b>Net financial result</b>	<b>-24,916</b>	<b>11,016</b>	
<b>Profit before tax</b>	<b>183,647</b>	<b>136,379</b>	<b>135</b>
Income tax	-28,135	-16,093	175
<b>Net profit</b>	<b>155,512</b>	<b>120,286</b>	<b>129</b>
<b>Basic earnings per share* (€)</b>	<b>4.94</b>	<b>3.83</b>	<b>129</b>
<b>Diluted earnings per share** (€)</b>	<b>4.94</b>	<b>3.83</b>	<b>129</b>

\* Net profit for the period/Average number of shares issued in the period, excluding treasury shares

\*\* All shares issued by the controlling company are ordinary shares, hence the diluted earnings per share ratio equalled basic earnings per share.

## Statement of Other Comprehensive Income of Krka, d. d., Novo mesto

€ thousand	Jan–June 2020	Jan–June 2019	Index
<b>Net profit</b>	<b>155,512</b>	<b>120,286</b>	<b>129</b>
<b>Other comprehensive income for the period</b>			
<b>Other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>			
Change in fair value of available-for-sale financial assets	-434	-76	571
Deferred tax effect	82	14	586
<b>Net other comprehensive income for the period that will not be reclassified to profit or loss at a future date</b>	<b>-352</b>	<b>-62</b>	<b>568</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>-352</b>	<b>-62</b>	<b>568</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>155,160</b>	<b>120,224</b>	<b>129</b>

## Statement of Changes in Equity of Krka, d. d., Novo mesto

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
<b>At 1 Jan 2020</b>	54,732	-73,774	73,774	105,897	14,990	30,000	-23,604	1,211,292	43,158	227,713	1,664,178
<b>Net profit</b>	0	0	0	0	0	0	0	0	0	155,512	155,512
<b>Total other comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-352	0	0	0	-352
<b>Total comprehensive income for the period (net of tax)</b>	0	0	0	0	0	0	-352	0	0	155,512	155,160
<b>Transactions with owners, recognised in equity</b>											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	227,713	-227,713	0
Repurchase of treasury shares	0	-16,087	0	0	0	0	0	0	0	0	-16,087
Formation of reserves for treasury shares	0	0	16,087	0	0	0	0	0	0	-16,087	0
<b>Total transactions with owners, recognised in equity</b>	0	-16,087	16,087	0	0	0	0	0	227,713	-243,800	-16,087
<b>At 30 June 2020</b>	54,732	-89,861	89,861	105,897	14,990	30,000	-23,956	1,211,292	270,871	139,425	1,803,251

€ thousand	Share capital	Treasury shares	Reserves					Retained earnings			Total equity
			Reserves for treasury shares	Share premium	Legal reserves	Statutory reserves	Fair value reserve	Other profit reserves	Retained earnings	Profit for the period	
<b>At 1 Jan 2019</b>	<b>54,732</b>	<b>-52,076</b>	<b>52,076</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,175</b>	<b>1,167,388</b>	<b>37,627</b>	<b>151,841</b>	<b>1,552,300</b>
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120,286</b>	<b>120,286</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-62</b>	<b>0</b>	<b>0</b>	<b>120,286</b>	<b>120,224</b>
<b>Transactions with owners, recognised in equity</b>											
Transfer of previous period's profit to retained earnings	0	0	0	0	0	0	0	0	151,841	-151,841	0
Repurchase of treasury shares	0	-7,841	0	0	0	0	0	0	0	0	-7,841
Formation of reserves for treasury shares	0	0	7,841	0	0	0	0	0	0	-7,841	0
<b>Total transactions with owners, recognised in equity</b>	<b>0</b>	<b>-7,841</b>	<b>7,841</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,841</b>	<b>-159,682</b>	<b>-7,841</b>
<b>At 30 June 2019</b>	<b>54,732</b>	<b>-59,917</b>	<b>59,917</b>	<b>105,897</b>	<b>14,990</b>	<b>30,000</b>	<b>-10,237</b>	<b>1,167,388</b>	<b>189,468</b>	<b>112,445</b>	<b>1,664,683</b>

## Statement of Cash Flows of Krka, d. d., Novo mesto

€ thousand	Jan–June 2020	Jan–June 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net profit</b>	<b>155,512</b>	<b>120,286</b>
<b>Adjustments for:</b>	<b>65,781</b>	<b>64,767</b>
– Amortisation/Depreciation	41,813	40,788
– Foreign exchange differences	640	870
– Investment income	-11,996	-2,578
– Investment expenses	6,153	8,171
– Interest income and other financial income	-6	0
– Interest expense and other financial expenses	1,042	1,423
– Income tax	28,135	16,093
<b>Operating profit before changes in net current assets</b>	<b>221,293</b>	<b>185,053</b>
Change in trade receivables	5,300	-40,461
Change in inventories	-17,139	-12,719
Change in trade payables	-10,923	24,365
Change in provisions	1,326	840
Change in deferred revenue	-69	-187
Change in other current liabilities	15,175	-7,380
Income tax paid	-31,119	-9,661
<b>Net cash from operating activities</b>	<b>183,844</b>	<b>139,850</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	233	322
Dividends received	0	299
Proportionate profit of subsidiaries	500	1,489
Proceeds from sale of property, plant and equipment	615	-283
Purchase of intangible assets	-1,413	-1,289
Purchase of property, plant and equipment	-32,492	-36,986
Acquisition of subsidiaries and a share of minority interests net of financial assets acquired	-4	0
Non-current loans	-1,228	-2,398
Proceeds from repayment of non-current loans	2,856	-19,578
Payments for non-current investments	-22	-36
Proceeds from sale of non-current investments	19	22
Payments for/Proceeds from current investments	-22,040	16,580
Payments for derivatives	-3,418	0
Proceeds from derivatives	11,642	0
<b>Net cash from investing activities</b>	<b>-44,752</b>	<b>-41,858</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	-272	-331
Repayments of/Proceeds from current borrowings	15,039	21,002
Lease liabilities paid	-362	-340
Dividends and other profit shares paid	0	-2
Repurchase of treasury shares	-16,087	-7,841
<b>Net cash from financing activities</b>	<b>-1,682</b>	<b>12,488</b>
<b>Net increase in cash and cash equivalents</b>	<b>137,410</b>	<b>110,480</b>
Cash and cash equivalents at the beginning of the year	195,236	98,474
Effect of foreign exchange rate fluctuations on cash held	-730	-1,161
<b>Cash and cash equivalents at the end of the period</b>	<b>331,916</b>	<b>207,793</b>

## Segment Reporting of Krka, d. d., Novo mesto

€ thousand	European Union		South-Eastern Europe		Eastern Europe		Other		Total	
	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019	Jan–June 2020	Jan–June 2019
<b>Revenue:</b>	<b>442,498</b>	<b>386,580</b>	<b>42,587</b>	<b>39,227</b>	<b>265,946</b>	<b>210,622</b>	<b>32,069</b>	<b>36,593</b>	<b>783,100</b>	<b>673,022</b>
– Revenue from contracts with customers	439,668	383,479	42,587	39,227	265,934	210,605	32,037	36,383	780,226	669,694
– Other revenue	2,830	3,101	0	0	12	17	32	210	2,874	3,328
Other operating income	1,764	2,414	0	0	2	0	0	0	1,766	2,414
Operating costs	-341,570	-322,651	-25,966	-26,644	-186,207	-172,706	-22,560	-28,072	-576,303	-550,073
<b>Operating profit</b>	<b>102,692</b>	<b>66,343</b>	<b>16,621</b>	<b>12,583</b>	<b>79,741</b>	<b>37,916</b>	<b>9,509</b>	<b>8,521</b>	<b>208,563</b>	<b>125,363</b>
Interest income	226	263	0	0	6	43	1	2	233	308
Interest expense	-277	-331	-1	-5	-6	-15	-5	-13	-289	-364
<b>Net financial result</b>	<b>-5,412</b>	<b>470</b>	<b>485</b>	<b>460</b>	<b>-19,403</b>	<b>11,612</b>	<b>-586</b>	<b>-1,526</b>	<b>-24,916</b>	<b>11,016</b>
Income tax	-13,853	-8,516	-2,242	-1,615	-10,757	-4,867	-1,283	-1,095	-28,135	-16,093
<b>Net profit</b>	<b>83,427</b>	<b>58,297</b>	<b>14,864</b>	<b>11,428</b>	<b>49,581</b>	<b>44,661</b>	<b>7,640</b>	<b>5,900</b>	<b>155,512</b>	<b>120,286</b>
Investments	20,733	41,954	0	0	0	0	0	0	20,733	41,954
Depreciation	28,823	27,604	867	893	8,440	8,764	567	501	38,697	37,762
Depreciation of right-of-use assets	243	233	7	7	73	76	5	4	328	320
Amortisation	1,575	1,554	152	158	947	847	114	147	2,788	2,706
	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>	<b>30 June 2020</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>1,691,024</b>	<b>1,520,973</b>	<b>51,886</b>	<b>46,681</b>	<b>499,902</b>	<b>527,174</b>	<b>34,055</b>	<b>35,132</b>	<b>2,276,867</b>	<b>2,129,960</b>
<b>Total liabilities</b>	<b>324,637</b>	<b>308,857</b>	<b>13,487</b>	<b>13,564</b>	<b>105,409</b>	<b>117,280</b>	<b>30,083</b>	<b>26,081</b>	<b>473,616</b>	<b>465,782</b>

## Notes to Financial Statements of Krka, d. d., Novo mesto

### Costs by nature

€576,303 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Cost of goods and material	248,704	197,513	126
Cost of services	154,326	178,253	87
Employee benefits	143,451	131,213	109
Amortisation and depreciation	41,813	40,788	103
Inventory write-offs and allowances	5,072	4,723	107
Receivable impairments and write-offs (net)	-169	-350	48
Other operating expenses	13,399	13,252	101
<b>Total costs</b>	<b>606,596</b>	<b>565,392</b>	<b>107</b>
Change in the value of inventories of finished products and work in progress	-30,293	-15,319	198
<b>Total</b>	<b>576,303</b>	<b>550,073</b>	<b>105</b>

### Employee benefits

€143,451 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Gross wages and salaries and continued pay	109,547	101,410	108
Social security contributions	8,746	8,196	107
Pension insurance contributions	13,213	12,196	108
Post-employment benefits and other non-current employee benefits	3,045	2,302	132
Other employee benefits	8,900	7,109	125
<b>Total employee benefits</b>	<b>143,451</b>	<b>131,213</b>	<b>109</b>

### Other operating expenses

€13,399 thousand

€ thousand	Jan–June 2020	Jan–June 2019	Index
Grants and assistance for humanitarian and other purposes	410	576	71
Environmental protection expenditure	1,836	1,372	134
Other taxes and levies	9,231	9,265	100
Loss on sale and write-off of property, plant and equipment and intangible assets	590	593	99
Other operating expenses	1,332	1,446	92
<b>Total other operating expenses</b>	<b>13,399</b>	<b>13,252</b>	<b>101</b>

Other taxes and levies included taxes (claw-back and similar) recently imposed in several markets where Krka operates.

## Financial income and expenses

€ thousand	Jan–June 2020	Jan–June 2019	Index
Net foreign exchange differences	0	17,894	0
Interest income	233	308	76
Derivatives income	11,642	0	
– Realised revenue	11,642	0	
Income from dividends and other profit shares	0	1,814	0
– Dividends	0	299	0
– Profits of subsidiaries	0	1,515	0
<b>Total financial income</b>	<b>11,875</b>	<b>20,016</b>	<b>59</b>
Net foreign exchange differences	-29,692	0	
Interest expense	-289	-364	79
– Interest paid	-263	-312	84
– Interest expense on lease liabilities	-26	-52	50
Derivatives expenses	-6,051	-7,577	80
– Incurred expenses	-3,417	0	
– Fair value change	-2,634	-7,577	35
Other financial expenses	-759	-1,059	72
<b>Total financial expenses</b>	<b>-36,791</b>	<b>-9,000</b>	<b>409</b>
<b>Net financial result</b>	<b>-24,916</b>	<b>11,016</b>	

### Income tax

€28,135 thousand

Current income tax amounted to €28,234 thousand or 15.4% of profit before tax. Taking into account deferred tax of -€99 thousand, tax totalling

€28,135 thousand was expensed in the income statement. The effective tax rate was 15.3%.

### Property, plant and equipment

€593,286 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Land	27,677	27,074	102
Buildings	258,463	265,858	97
Equipment	278,369	284,938	98
Property, plant and equipment being acquired	22,865	31,473	73
Advances for property, plant and equipment	3,050	769	397
Right-of-use assets	2,862	3,098	92
<b>Total property, plant and equipment</b>	<b>593,286</b>	<b>613,210</b>	<b>97</b>

Value of property, plant, and equipment accounted for 26% of Krka balance sheet total. See section 'Investments' in the business report for details on major investments of Krka.

## Intangible assets

€27,036 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Concessions, trademarks and licences	22,691	24,348	93
Intangible assets being acquired	4,345	4,062	107
<b>Total intangible assets</b>	<b>27,036</b>	<b>28,410</b>	<b>95</b>

Intangible assets comprised software and registration documents for new pharmaceuticals.

## Loans

€92,261 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current loans</b>	<b>36,145</b>	<b>36,223</b>	<b>100</b>
– Loans to subsidiaries	25,150	25,600	98
– Loans to others	10,995	10,623	104
<b>Current loans</b>	<b>56,116</b>	<b>35,644</b>	<b>157</b>
– Portion of non-current loans maturing next year	3,480	5,031	69
– Loans to subsidiaries	4,554	462	986
– Loans to others	48,069	30,137	160
– Current interest receivables	13	14	93
<b>Total loans</b>	<b>92,261</b>	<b>71,867</b>	<b>128</b>

Non-current loans constituted 39% of total loans.

Non-current loans to others included loans which Krka extends to its employees, primarily for the purchase or renovation of housing facilities in accordance with its internal acts.

Current loans to others included bank deposits totalling €47,995 thousand with maturity exceeding 90 days.

## Investments

€9,246 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current investments</b>	<b>9,246</b>	<b>9,680</b>	<b>96</b>
Financial assets at fair value through OCI (equity instruments)	9,246	9,680	96
<b>Total investments</b>	<b>9,246</b>	<b>9,680</b>	<b>96</b>

Available-for-sale financial assets comprised shares and interests in companies in Slovenia totalling

€788 thousand and shares and interests in companies abroad totalling €8,458 thousand.

## Inventories

€384,146 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Material	168,924	179,168	94
Work in progress	93,593	89,492	105
Finished products	107,083	83,800	128
Goods	10,690	10,296	104
Advances for inventories	3,856	4,251	91
<b>Total inventories</b>	<b>384,146</b>	<b>367,007</b>	<b>105</b>

## Trade and other receivables

€435,353 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Current trade receivables	418,918	443,840	94
– Receivables due from subsidiaries	242,773	257,674	94
– Trade receivables due from customers other than Group companies	177,710	186,420	95
– Deferred revenue from contracts with customers	-1,565	-254	616
Current receivables relating to dividends – subsidiaries	0	500	0
Other current receivables	16,435	17,511	94
<b>Total receivables</b>	<b>435,353</b>	<b>461,851</b>	<b>94</b>

## Cash and cash equivalents

€331,916 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Bank balances	331,916	195,236	170
<b>Total cash and cash equivalents</b>	<b>331,916</b>	<b>195,236</b>	<b>170</b>

## Equity

€1,803,251 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Share capital	54,732	54,732	100
Treasury shares	-89,861	-73,774	122
Reserves	216,792	201,057	108
– Reserves for treasury shares	89,861	73,774	122
– Share premium	105,897	105,897	100
– Legal reserves	14,990	14,990	100
– Statutory reserves	30,000	30,000	100
– Fair value reserve	-23,956	-23,604	101
Retained earnings	1,621,588	1,482,163	109
<b>Total equity</b>	<b>1,803,251</b>	<b>1,664,178</b>	<b>108</b>

## Trade payables

€170,563 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Non-current trade payables</b>	<b>10,000</b>	<b>10,000</b>	<b>100</b>
<b>Current trade payables</b>	<b>160,563</b>	<b>182,423</b>	<b>88</b>
Payables to subsidiaries	78,578	91,030	86
Payables to domestic suppliers	38,313	40,660	94
Payables to foreign suppliers	43,672	50,733	86
<b>Total trade payables</b>	<b>170,563</b>	<b>192,423</b>	<b>89</b>

Non-current trade payables included payables to the European Commission. In 2014, the Commission of the European Union ruled that Krka infringed the provision of Article 101 of the Treaty on the Functioning of the European Union, which resulted in a distortion of competition on the perindopril market of the European Union. Thus, it imposed on Krka a fine of €10,000 thousand. Krka paid the penalty imposed within the deadline set by the Commission and filed a lawsuit against the Commission's decision before the General Court of the European Union because it considered that its conduct did not violate

the competition law rules. In December 2018, the Court ruled in favour of Krka. The decision of the General Court is not final, as the Commission lodged an appeal against the decision of the General Court, which will be decided by the European Court of Justice. Although the Commission did indeed pay back a fine of €10,000 thousand in early 2019, based on the assessment of legal experts, Krka deferred the revenue and recognised non-current trade liabilities in that same amount until the final decision of the Court is issued.

## Provisions

€107,720 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Provisions for lawsuits	2,100	2,100	100
Provisions for post-employment benefits and other non-current employee benefits	105,620	103,577	102
<b>Total provisions</b>	<b>107,720</b>	<b>105,677</b>	<b>102</b>

## Deferred revenue

€1,590 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Grants received from the European Regional Development Fund and budget of the Republic of Slovenia intended for the production of pharmaceuticals in the new Notol 2 plant	1,450	1,584	92
Grants received from the European Regional Development Fund for development of new technologies (FBD project)	29	57	51
Grants received from the European Regional Development Fund for setting up the energy supply IT system (GEN-I)	1	1	100
Subsidy	101	5	2020
Property, plant and equipment received free of charge	9	12	75
<b>Total deferred revenue</b>	<b>1,590</b>	<b>1,659</b>	<b>96</b>

The FBD project is partly funded by the European Union from the European Regional Development Fund.

The projects are carried out within the *Operational Programme for Strengthening Regional*

*Development Potentials for Period 2007–2013; Priority Axis 1: Competitiveness and Research Excellence*, main type of activity 1.1: Improvement of competitive capabilities of enterprises and research excellence.

## Borrowings

€88,023 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Current borrowings</b>	<b>88,023</b>	<b>73,033</b>	<b>121</b>
– Borrowings from subsidiaries	87,924	72,961	121
– Current interest payable	99	72	138
<b>Total borrowings</b>	<b>88,023</b>	<b>73,033</b>	<b>121</b>

## Current contract liabilities

€12,699 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
<b>Refund liabilities</b>	<b>10,782</b>	<b>10,823</b>	<b>100</b>
– Bonuses and volume rebates	10,782	10,823	100
<b>Contract liabilities</b>	<b>1,917</b>	<b>3,786</b>	<b>51</b>
– Contract liabilities – advances from other customers	1,917	3,786	51
<b>Total current contract liabilities</b>	<b>12,699</b>	<b>14,609</b>	<b>87</b>

## Other current liabilities

€76,428 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Payables to employees – gross salaries, other receipts and charges	45,957	47,546	97
Derivatives	5,215	2,582	202
Other	25,256	8,492	297
<b>Total other current liabilities</b>	<b>76,428</b>	<b>58,620</b>	<b>130</b>

## Contingent liabilities

€14,914 thousand

€ thousand	30 June 2020	31 Dec 2019	Index
Guarantees issued	14,294	14,295	100
Other	620	620	100
<b>Total contingent liabilities</b>	<b>14,914</b>	<b>14,915</b>	<b>100</b>

## Fair value

€ thousand	30 June 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables due from subsidiaries	60,794	60,794	39,491	39,491
Non-current loans	36,145	36,145	36,223	36,223
Financial assets at fair value through OCI (equity instruments)	9,246	9,246	9,680	9,680
Current loans	56,116	56,116	35,644	35,644
Trade receivables	418,918	418,918	443,840	443,840
Cash and cash equivalents	331,916	331,916	195,236	195,236
Current borrowings	-88,023	-88,023	-73,033	-73,033
Non-current trade payables	-10,000	-10,000	-10,000	-10,000
Lease liabilities	-2,809	-2,809	-3,093	-3,093
Current payables to suppliers and subsidiaries excluding advances	-160,438	-160,438	-182,409	-182,409
Contract liabilities excluding advances	-10,782	-10,782	-10,823	-10,823
Other liabilities excluding amounts owed to the state, to employees, and advances	-1,872	-1,872	-2,058	-2,058
Other current liabilities	-5,215	-5,215	-2,582	-2,582
– Derivatives	-5,215	-5,215	-2,582	-2,582
<b>Total</b>	<b>633,996</b>	<b>633,996</b>	<b>476,116</b>	<b>476,116</b>

In terms of fair value, assets and liabilities are classified into three levels:

- Level 1 – Assets at market price;
- Level 2 – Assets not classified within level 1 and the value of which is determined directly or indirectly based on comparable market data;
- Level 3 – Assets the value of which cannot be determined using market data.

## Assets at fair value

€ thousand	30 June 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets at fair value</b>								
Financial assets at fair value through OCI (equity instruments)	7,859	0	1,387	9,246	8,294	0	1,386	9,680
<b>Total assets at fair value</b>	<b>7,859</b>	<b>0</b>	<b>1,387</b>	<b>9,246</b>	<b>8,294</b>	<b>0</b>	<b>1,386</b>	<b>9,680</b>
<b>Assets for which fair value is disclosed</b>								
Trade receivables due from subsidiaries	0	0	60,794	60,794	0	0	39,491	39,491
Non-current loans	0	0	36,145	36,145	0	0	36,223	36,223
Current loans	0	0	56,116	56,116	0	0	35,644	35,644
Trade receivables	0	0	418,918	418,918	0	0	443,840	443,840
Cash and cash equivalents	0	0	331,916	331,916	0	0	195,236	195,236
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>903,889</b>	<b>903,889</b>	<b>0</b>	<b>0</b>	<b>750,434</b>	<b>750,434</b>
<b>Total</b>	<b>7,859</b>	<b>0</b>	<b>905,276</b>	<b>913,135</b>	<b>8,294</b>	<b>0</b>	<b>751,820</b>	<b>760,114</b>

## Liabilities at fair value

€ thousand	30 June 2020				31 Dec 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Liabilities at fair value</b>								
Derivatives	0	0	5,215	5,215	0	0	2,582	2,582
<b>Total liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>5,215</b>	<b>5,215</b>	<b>0</b>	<b>0</b>	<b>2,582</b>	<b>2,582</b>
<b>Liabilities for which fair value is disclosed</b>								
Current borrowings	0	0	88,023	88,023	0	0	73,033	73,033
Non-current trade payables	0	0	10,000	10,000	0	0	10,000	10,000
Lease liabilities	0	0	2,809	2,809	0	0	3,093	3,093
Current payables to suppliers and subsidiaries excluding advances	0	0	160,438	160,438	0	0	182,409	182,409
Contract liabilities excluding advances	0	0	10,782	10,782	0	0	10,823	10,823
Other liabilities excluding amounts owed to the state, to employees, and advances	0	0	1,872	1,872	0	0	2,058	2,058
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>273,924</b>	<b>273,924</b>	<b>0</b>	<b>0</b>	<b>281,416</b>	<b>281,416</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>279,139</b>	<b>279,139</b>	<b>0</b>	<b>0</b>	<b>283,998</b>	<b>283,998</b>

## STATEMENT OF COMPLIANCE

The Management Board of Krka, d. d., Novo mesto hereby states that the condensed financial statements of Krka and the condensed consolidated financial statements of the Krka Group for the period ended 30 June 2020 have been prepared so as to provide a true and fair view of the financial position and operating results of Krka and the Krka Group. The condensed statements for the first half of 2020 have been prepared using the same accounting policies as for the annual financial statements of Krka and the Krka Group for 2019.

The condensed financial statements for the period ended 30 June 2020 have been prepared pursuant to IAS 34 – *Interim Financial Reporting*, and have to

Novo mesto, 15 July 2020

be read in conjunction with the annual financial statements prepared for the financial year ended 31 December 2019.

The Management Board is responsible for taking the measures required to preserve the assets of Krka and the Krka Group and to prevent and detect fraud and other forms of misconduct.

The Management Board states that all transactions between the Krka Group subsidiaries have been executed according to the concluded purchase contracts, using market prices of products and services. No significant business transactions were concluded with any other related parties.



Jože Colarič  
President of the Management Board and CEO



Dr Aleš Rotar  
Member of the Management Board



Dr Vinko Zupančič  
Member of the Management Board



David Bratož  
Member of the Management Board



Milena Kastelic  
Member of the Management Board – Worker Director